

COMPTROLLER of MARYLAND
Serving the People

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE OF MARYLAND

FISCAL YEAR ENDED JUNE 30, 2010



STATE OF MARYLAND
Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2010

EXECUTIVE

Martin O' Malley
Governor

Anthony G. Brown
Lieutenant Governor

Peter Franchot
Comptroller

Douglas F. Gansler
Attorney General

Nancy K. Kopp
Treasurer

JUDICIAL

Robert M. Bell
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

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President of the Senate

Michael E. Busch
Speaker of the House of Delegates

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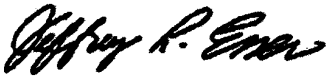
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.





President



Executive Director

A Message from Comptroller Peter Franchot



For the past year, we have seen our State and nation, our neighbors and friends, struggle in these uncertain economic times. Like families across Maryland, government too has had to tighten its belt while continuing to provide fundamental services.

As we begin to see signs of improvements in the economy, I continue to urge restraint and caution to my fellow public servants. Our economy remains volatile and some, including myself, have recognized the need to change the way we do business as we enter the age of austerity. Though I remain cautiously optimistic that Maryland will rebound sooner than most states, we must look for ways to do more with less and operate with the utmost efficiency. That is why I'm proud of the accomplishments of my office in the last 12 months including:

- Providing excellent customer service through the use of technology to return money to citizens, protect taxpayers and make tax filing easier.
- Working diligently to ensure every tax dollar is collected fairly among individuals and businesses.
- Protecting State dollars by opposing wasteful and indiscriminate spending as a member of the Board of Public Works.
- Expanding economic opportunities for small businesses and advocating for women and minority-owned firms.

As the State's chief fiscal officer, I pledge to continue streamlining our agency's operations and oppose imprudent spending. I believe every individual and business should pay its fair share, and those that do, should be rewarded. Maryland remains fiscally strong, and I, as Comptroller, will secure Maryland's finances to create a stronger State for generations to come.



Comptroller Peter Franchot

Comptroller of Maryland

Peter Franchot
Comptroller
Linda L. Tanton
Deputy Comptroller
Len Foxwell
Chief of Staff
Jerome Klasmeier
Assistant Comptroller
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Communications Office
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Robert J. Murphy, Director
Central Payroll Bureau
Sharonne R. Bonardi, Director
Compliance Division
John T. Salmon, Director
Information Technology Division
Jeffrey A. Kelly, Director
Field Enforcement Division
James M. Arnie, Director
Revenue Administration Division
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Taxpayer Service.

Providing the best service to all Maryland taxpayers through expanded use of technology continues to be a priority for the Comptroller's Office. The agency is dedicated to making the process of paying taxes simpler, faster and more efficient for individuals and businesses. Additionally, the Comptroller's Office remains committed to returning unclaimed property to Marylanders and protecting consumers from unscrupulous tax preparers.



E-FILING. Thanks to Comptroller Franchot's unprecedented marketing and outreach efforts, more than 1.7 million Marylanders filed their taxes electronically in 2010, a majority of all income tax returns and an all-time high for this agency. Each taxpayer who files an electronic instead of a paper return saves the State $1.60, and can generally expect to receive their refund checks deposited into their bank account in three business days!

ONLINE SERVICES. A growing number of Maryland taxpayers took advantage of our innovative online services. More than 145,000 individual taxpayers used I-File, our free online filing service, while thousands of taxpayers continue to take advantage of our free B-File and online Bill Pay services.

UNCLAIMED PROPERTY. Comptroller Franchot's aggressive efforts to reunite Marylanders with unclaimed property continue to prove successful. Thanks to our online and traditional media outreach, as well as a strong presence at community events throughout the State, we paid 49,000 claims with a dollar value of $47.8 million in Fiscal Year 2010.

CONSUMER PROTECTION. Comptroller Franchot is protecting taxpayers from unscrupulous tax preparers and led the effort to pass the Tax Preparer's Act of 2008 and is now working to implement and enforce this important consumer protection measure. He also actively worked to pass successful legislation that will rein in the abuses associated with Refund Anticipation Loans and created a Bill of Rights and consumer guide for taxpayers.

Tax Fairness.

Ensuring every individual and business pays its fair share, the Comptroller's Office is implementing a new tax system, furthering innovative federal partnerships and cracking down on corporate scofflaws. Through these cutting-edge initiatives, the agency is returning millions of dollars to state coffers and leveling the playing field for all Marylanders.



DATA WAREHOUSE. The State's new data warehouse continues to exceed our expectations. In the second year since contract approval, it has enabled the Comptroller's Office to identify and collect $69 million in delinquent tax payments.

FEDERAL VENDOR OFFSET. Since implementing the nation's first federal vendor offset program, the State of Maryland has recovered more than $51 million from federal contractors with unsatisfied State liabilities.

CORPORATE COMPLIANCE. The Comptroller's Office is making large corporations pay their fair share, recovering hundreds of millions to date as a result of our successful efforts to crack down on Delaware Holding Companies and $24 million thanks to our efforts to disallow the Captive REIT deduction.

Fiscal Responsibility.

As the state's chief fiscal officer, the Comptroller takes his role as fiscal steward seriously. Through the agency's efforts to streamline vendor payments and increase the scope of the State's purchasing card program, substantial savings have resulted for Maryland. As a member of the Board of Public Works, the Comptroller also watches out for taxpayer dollars by opposing imprudent spending. Additionally, the Comptroller has become a fierce advocate for ensuring all our young people have basic financial literacy.



VENDOR PAYMENTS. The Comptroller's Office is working with private vendors who receive more than $50,000 per year or more than six checks annually to sign up for electronic payments, which will save the State of Maryland as much as $110,000 in postage and envelope costs per year.

CORPORATE PURCHASING CARDS.
The Comptroller's Office has increased the limit for the State's corporate purchasing card from $2,500 to $5,000. As a result of the increase, the State will save more than $54,000 in postage and envelopes each year as well as earn more than $700,000 in rebates.

PREVENTING WASTEFUL SPENDING. A member of the Board of Public Works, Comptroller Franchot has routinely opposed wasteful and indiscriminate spending while using his position to support cost effective initiatives such as geothermal energy and improved school maintenance.

FINANCIAL LITERACY. Stressing the necessity for young people to understand the fundamentals of personal finance, Comptroller Franchot has launched a campaign to promote financial literacy to students across all grade levels. Studies illustrating the staggering costs of not educating the next generation on sound financial principles highlights the importance of erecting a statewide graduate requirement in financial literacy.

Economic Opportunity.

A consummate champion for Maryland's economic expansion, the Comptroller recognizes the importance of small business success in stimulating our State's economy. He has also fought for greater investment in green technologies, broadband access for rural counties and improved equality for Maryland's wineries.

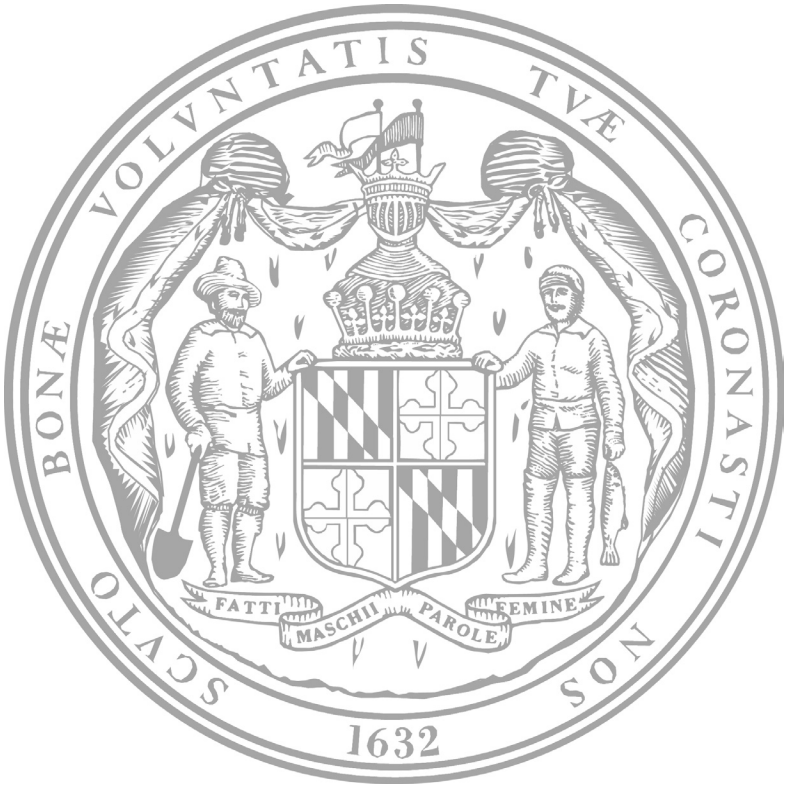


SMALL BUSINESS. A vice-chairman of the State Retirement and Pension System of Maryland, Comptroller Franchot has helped lead the effort to hire women and minority-owned investment firms to manage system assets. Under his leadership, the "Terra Maria" fund -- designed to create an opportunity for emerging investment firms -- now exceeds $2.5 billion in overall earnings and last year outperformed the system as a whole.

GOING GREEN. Comptroller Franchot has called for new investment in green technology and the life sciences. Doing so will further diversify the short-term portfolio while positioning our State for long-term investment gain in a sector in which our State is a national leader.

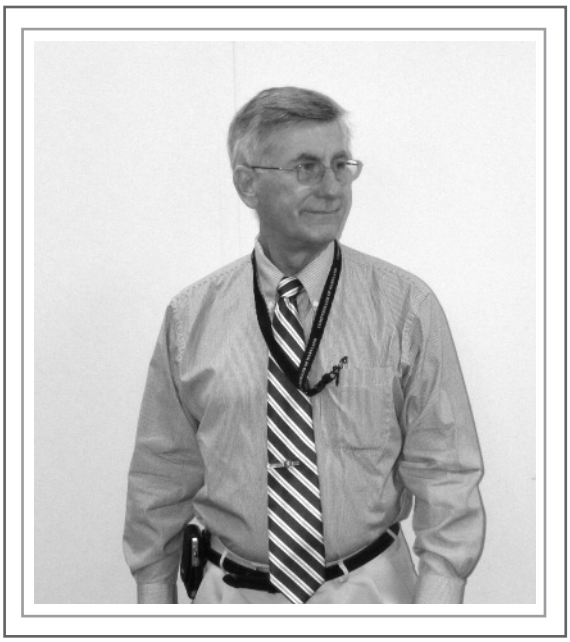
BROADBAND. A member of the Board of Public Works, Comptroller Franchot successfully fought to remove bureaucratic hurdles that hampered efforts to provide Maryland's rural areas with broadband technology.

WINERIES. The Comptroller has worked hard to promote Maryland's burgeoning winery industry by raising awareness and advocating for the wineries. He brought together a broad coalition of stakeholders to help write and pass the Maryland Wineries Act of 2010 which created a uniform statewide structure for wineries to host events, conduct tastings and other activities that will lead to increased sales, more tourist trade and greater recognition for Maryland wineries.


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Dr. Roland L. Unger

Director, General Accounting Division



1949 - 2010

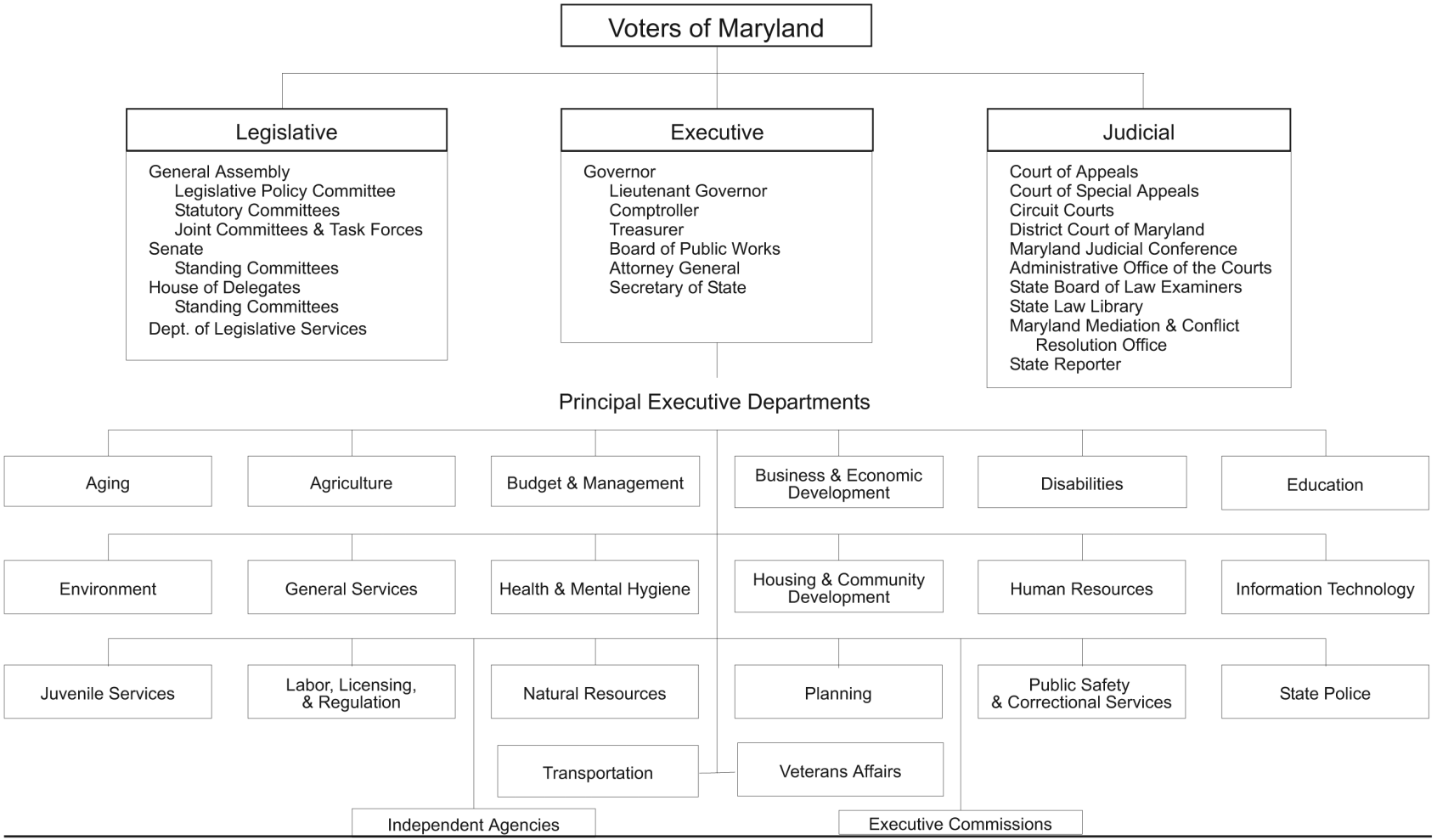
The Comptroller's Office lost a key member of its executive management team in September 2010 with the death of Dr. Roland L. Unger, head of the agency's General Accounting Division.

Although Dr. Unger had only been with the Comptroller's Office since June 2009, he became an integral part of team making many efficiency improvements resulting in significant savings for the State. He was beloved by his employees for his easy going nature and compassion.

Before joining the agency, Dr. Unger served as the city of Westminster's director of finance managing a $40 million budget. Prior to that post, Dr. Unger was the chief financial officer for the Maryland Supplemental Retirement Plans supervising $2 billion in assets for 66,000 employee participants. He also served as a Certified Public Accountant in his own firm and others. Before entering the financial world, Dr. Unger protected the citizens of Baltimore City and county as a SWAT team leader and foot patrol officer.

He is survived by his wife Ann and their four children Christian, Christine, Jonathan and Sarah.

OVERVIEW OF MARYLAND STATE GOVERNMENT



Maryland Manual On-Line
Maryland State Archives, 1 July 2008

Maryland State Government
chartsstate/00overview

STATE OF MARYLAND

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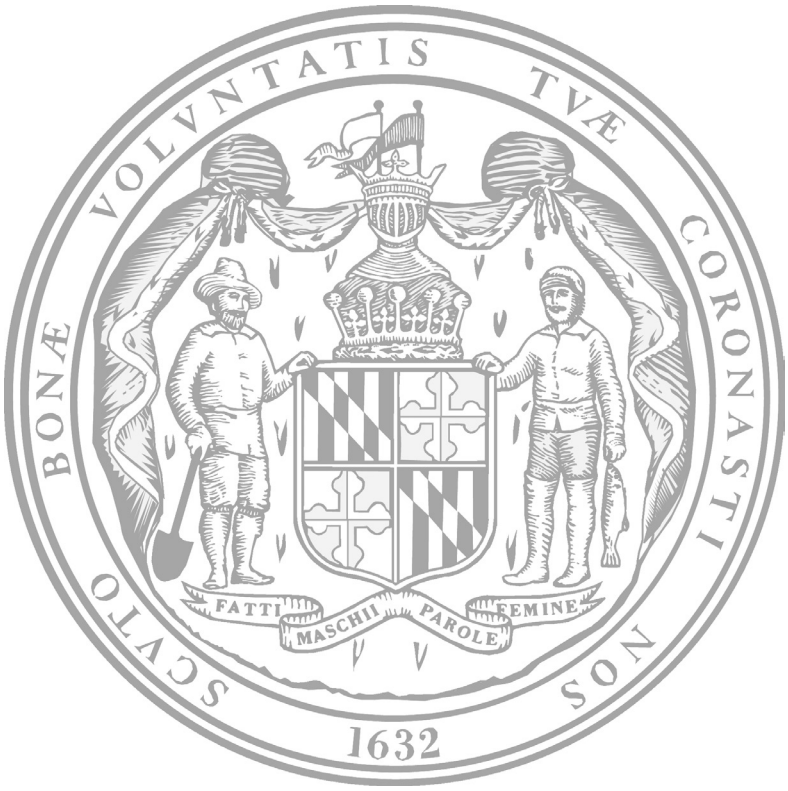
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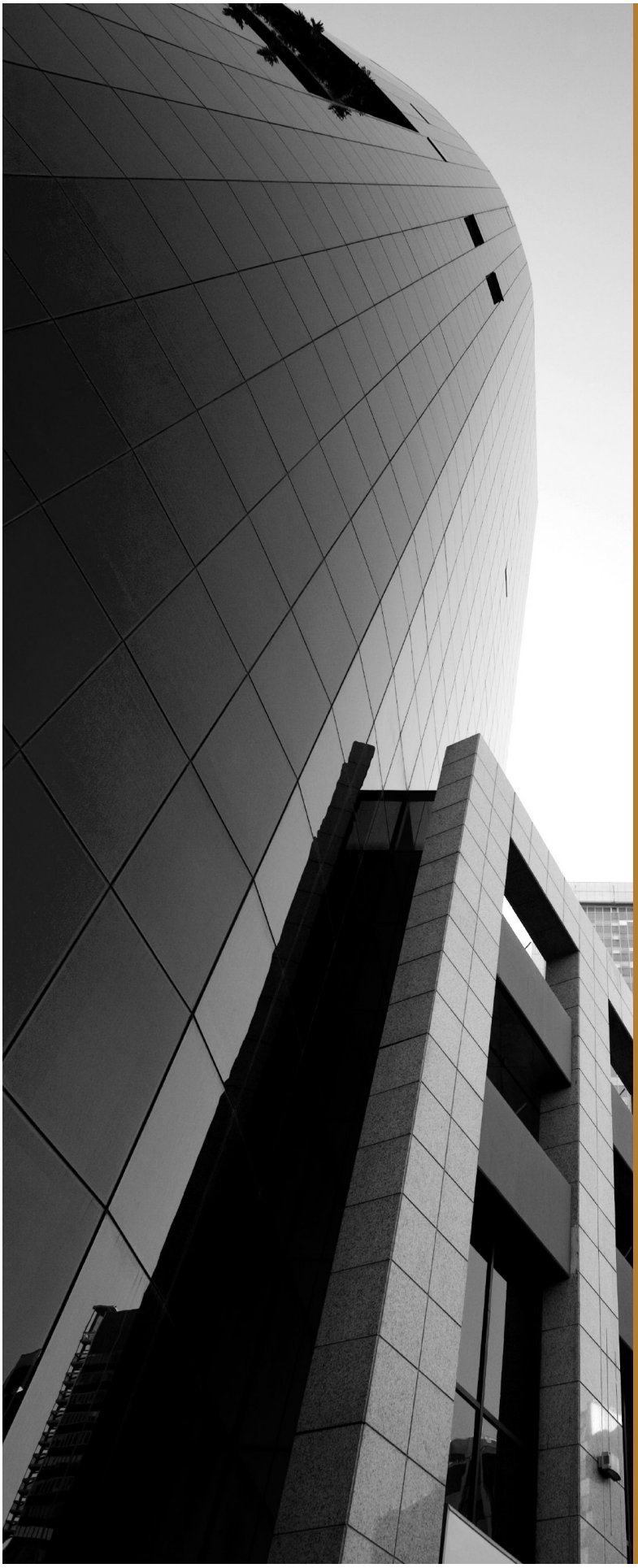
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FATTI MASCHII PAROLE FEMINE
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INTRODUCTORY SECTION

COMPTROLLER of MARYLAND
Serving the People

Peter Franchot
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland

December 10, 2010

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the fiscal year ended June 30, 2010, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC is also performing an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information will be contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the College Savings Plans of Maryland, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority and the Maryland Technology Development Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly,

composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by September 10 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, including in addition to general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

Damage caused to Maryland's economy by the recent recession will likely not be undone for an extended period of time. At peak levels of employment in February 2008, there were over 2.6 million jobs in the State; at the trough, exactly two years later, there were 139,000 fewer jobs. The unemployment rate has more than doubled, from 3.5% at the onset of the recession to a peak of 7.7%. Both wage income and total personal income have seen their worst extended periods of growth in over five decades, declines in capital gains have exceeded those experienced ten years ago, home prices continue to fall and home sales have, in recent months, resumed double-digit declines. Nevertheless, Maryland's economy is showing signs of the emerging national recovery.

Since late Spring, many measures of Maryland's economy have shown stabilization, if not a resumption of growth. On a year-over-year basis, employment has increased four consecutive months, adding almost 50,000 jobs to the rolls. Several industries have added jobs through the first three quarters of the year, including federal government (up 5.8% partly due to temporary Census employment), professional and business services (up 1.5%), education and health services (up 1.4%) and leisure and hospitality services (up 3.5%). In terms of size of the industry and average pay, the former three are likely the most important industries in the State. All four have shown strong acceleration throughout the year, as has every major industry except manufacturing, transportation and utilities, and state and local government. Through September, total employment has declined 0.5% for the year, much improved over the 3.1% decline of calendar year 2009.

As is the case nationwide, however, the unemployment rate has not fallen much from its peak and, in fact, in recent months the unemployment rate has crept upwards. In September, the unemployment rate stood at 7.5%, up from 7.1% in June and July. Nationally, the unemployment rate was at 9.6%, down slightly from its peak of 10.1% in October 2009. A broader measure of unemployment, including those who have not looked for a job in the past four weeks and those who are working part-time who would like to be employed full-time, has continued to increase, rising from 6.3% at the start of the recession to 10.2% at the end of the recession, in June 2009, to 13.0% in mid-2010. While employment growth has resumed, the labor market is a long way from healthy.

With the troubles in the labor market, growth in personal income has suffered. All four quarters of 2009 saw growth of 0.7% or less. The only comparable period is 1954, during which personal income increased 0.46%, slightly better than the 0.44% growth of 2009. The next lowest annual rate of growth in the intervening period was 3.4% in 1958. Personal income has rebounded in 2010,

but only to a degree, with growth of about 2.4% for the first two quarters of the year. The primary cause for the slowdown in personal income is the falloff in employment; wage and salary income declined 2.0% in the first quarter of 2009, and fell 0.8% over the course of the year. Wage and salary income is roughly half of total personal income. Both wage income and total personal income have recovered in the first quarter of 2010, increasing roughly 2.4% and 1.4% respectively, although this recovery is weak indeed.

One current bright spot is the impact on Maryland of the Base Realignment and Closure (BRAC) process. While a rough idea of the impact of BRAC has existed since 2005, it is only in recent months that these defense-related jobs have actually been moving into the State. Through the third quarter of 2010, roughly 1,200 jobs have been moved into Maryland, primarily at Aberdeen Proving Ground. Another 5,000 or so defense contractors and similar positions have moved into or been created in the State. Preparation for these moves has created about 4,300 temporary construction jobs. Through September 2011, a total of 21,400 military and related jobs will move into the State, and at least as many contractor positions are expected. These changes will help to improve an otherwise sluggish job market.

While Maryland's economy may be, in many respects, in a better position than most other states, a strong rebound is not expected. Troubles in the housing market have locked many homeowners into place, in Maryland and elsewhere, limiting the flexibility necessary to bring equilibrium to the labor market. Troubles in the housing market, as well as lingering uncertainty about job stability, are keeping growth in consumer spending to low levels. And tightening government budgets, possibly even at the federal level in the near future, may counterbalance some growth in the private sector. It does now appear, though, that slow growth-perhaps not steady-of Maryland's economy is the most reasonable expectation through 2011.

Major Initiatives and Long Term Financial Planning:

Under current economic conditions, the State will continue to work through its agencies to identify budget reductions and take other actions to bring the budget into balance in fiscal year 2011. General fund spending will be $265 million below fiscal year 2010 and, most significantly, below fiscal year 2007. Total spending will be $32.1 billion, $249 million less than fiscal year 2010. The budget balancing strategy includes bonding, within the limits of the Capital Debt Affordability Committee, expenditures previously supported by special funds and transferring the special funds to the general fund.

Budget priorities include maintaining progress in programs that protect Maryland families. Medicaid will receive $5.9 billion in fiscal year 2011 and together with the Maryland Children's Health Program will provide access to medical care for more than 800,000 Marylanders – 214,000 more than in fiscal year 2007. More than 250,000 Maryland households will receive energy assistance in fiscal year 2011, a 27% increase over fiscal year 2007. Maryland will continue to prioritize funding for public education. Local school systems will receive $5.7 billion in fiscal year 2011, the most funding ever for primary and secondary education. In addition, $250 million will be provided for public school construction.

The State will invest in industries and activities that create and retain jobs in Maryland. In fiscal year 2011, the new Job Creation and Recovery Tax Credit is allocated $20 million to help businesses hire unemployed Marylanders, while the State's capital budget will support more than 20,000 construction jobs. Maryland will continue its commitment to economic development. The Bio 2020 Initiative, including funds for advance stem cell research, Maryland's biotechnology tax credit, and development of capital facilities, is funded at $43.3 million in fiscal year 2011. The fiscal year 2011 capital budget includes $85.8 million for full funding of land preservation programs. Continuing a commitment to restore the Chesapeake Bay, the 2010 Chesapeake Bay Trust Fund will receive $20 million in fiscal year 2011, doubling the amount provided in either of its first two years. As the State plans for the significant growth from BRAC, the fiscal year 2011 capital budget and capital transportation program provide $823 million for BRAC projects, bringing the State's total investment in BRAC readiness to more than $3.5 billion.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

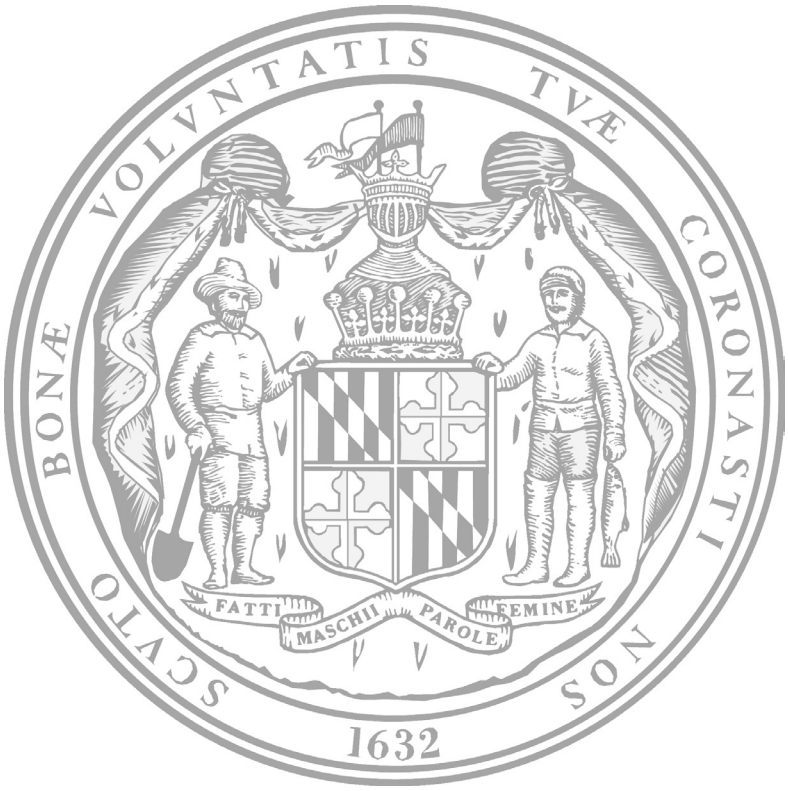
A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 30 consecutive years (fiscal years ended 1980-2009). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

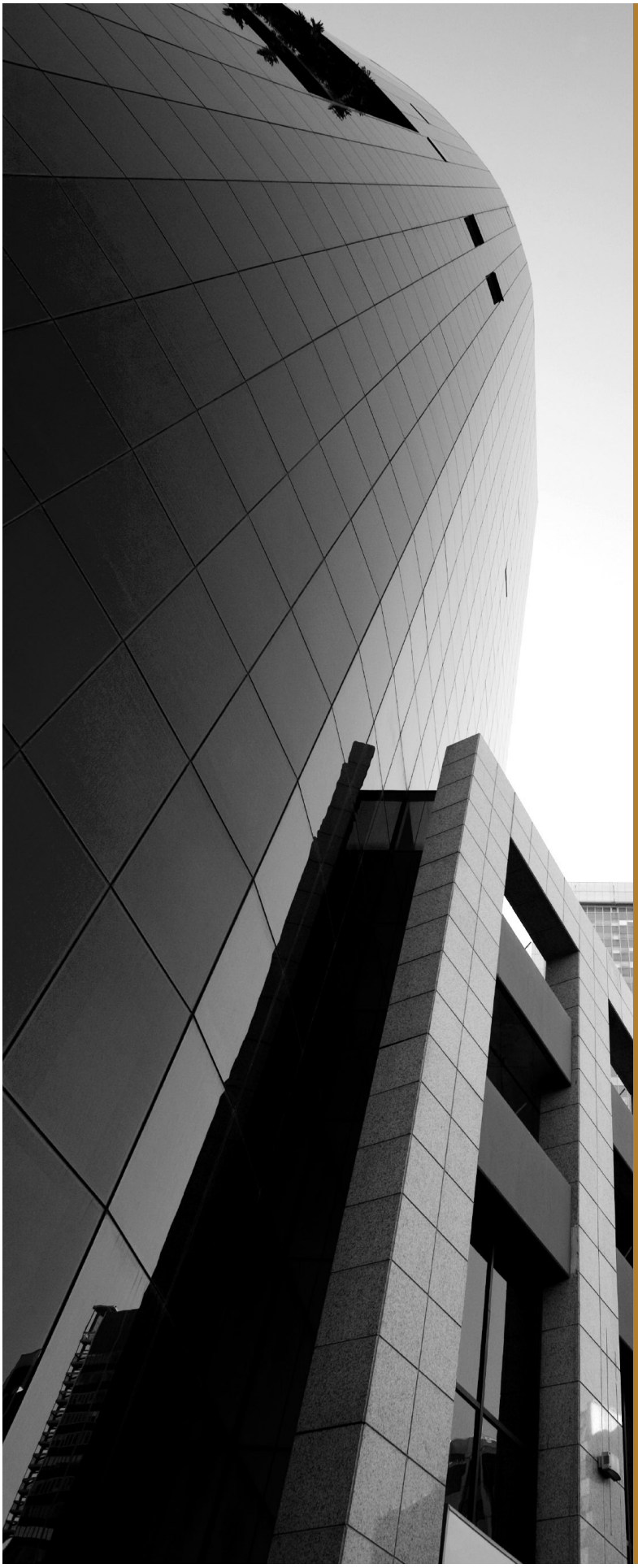
The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,

Peter Franchot,
Comptroller of Maryland


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FATTI MASCHII PAROLE FEMINE
1632



FINANCIAL SECTION

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements, schedules and supplementary information are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of (1) certain Economic Development Loan Programs; (2) the Maryland State Lottery Agency; (3) the Maryland Transportation Authority; (4) the Economic Development Insurance Programs; (5) certain foundations included in the higher education component units; (6) the Maryland Food Center Authority; (7) the Maryland Technology Development Corporation; and (8) the Investment Trust Fund, which represent the percentages of the total assets, total net assets, and total operating revenues or additions included in the accompanying financial statements.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	30.7 %	8.7 %	4.3 %
Maryland State Lottery Agency	2.1	0.4	49.3
Maryland Transportation Authority	46.0	48.1	15.0
Non-Major -			
Economic Development Insurance Programs	0.9	1.7	0.1
Total percentage of business-type activities	79.7 %	58.9 %	68.7 %
Component Units			
Major -			
Certain foundations included in the higher education component units	12.8 %	15.5 %	13.5 %
Non-Major -			
Maryland Food Center Authority	0.3	0.4	0.4
Maryland Technology Development Corporation	0.3	0.1	1.7
Total percentage of component units	13.4 %	16.0 %	15.6 %
Fiduciary Funds			
Investment Trust Fund	5.8 %	6.9 %	75.4 %

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Pension and Retirement System, the Maryland Transit Administration Pension Plan, and Other Post-employment Benefits Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied by us or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

SB's Company, LLC

Hunt Valley, Maryland
December 10, 2010

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2010. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government–wide

- Maryland reported net assets of $12.6 billion in fiscal year 2010 and $14.5 billion in fiscal year 2009.
- Of the net assets in fiscal year 2010, a deficit balance of $5.2 billion was reported as total unrestricted net assets, which includes a $6.7 billion deficit balance in governmental activities and a $1.5 billion balance in business-type activities.
- The State's total net assets decreased by $2.0 billion as a result of this year's operations. The net assets for governmental activities decreased by $2.1 billion (22.1%). Net assets of business-type activities increased by $117 million (2.3%).
- The State's governmental activities had total expenses of $29.9 billion, total revenues of $27.2 billion and net transfers from business-type activities of $615 million for a net decrease of $2.1 billion.
- Business-type activities had total expenses of $3.9 billion, program revenues of $4.6 billion, and transfers out of $615 million for a net increase in net assets of $117 million.
- Total State revenues were $31.8 billion, while total costs for all programs were $33.8 billion.

Fund Level

- Governmental funds reported a combined fund balance of $1.8 billion, a decrease of $155 million (7.8%) from the prior year.
- The General Fund reported an unassigned fund balance deficit of $341 million and a remaining fund balance (nonspendable, restricted, and committed) of $1.6 billion, compared to an unreserved fund balance of $147 million and a reserved fund balance of $1.4 billion last year. This represents a net decrease of $261 million in General Fund, fund balance. The total unassigned fund balance deficit in the governmental funds was $700 million, compared to the unreserved fund balance of $42 million in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of $2.5 billion in 2010, compared to a total reserved fund balance of $1.9 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end was $15.4 billion, a net increase of $1.4 billion (9.9%) over the prior year.
- $1.9 billion General Obligation Bonds of which, $798 million were refunding bonds, and $140 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists readers in assessing the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities - The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Lottery, the Transportation Authority and Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the Maryland Prepaid College Trust, the Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and the Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.

- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.

- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, is provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for businesses in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development Loan Programs, the Unemployment Insurance Program, the Lottery Agency and the Transportation Authority. Data

for the non-major enterprise funds, Economic Development Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 - 38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary funds use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State's postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and fund equity of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 - 40 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Assets and the Statement of Activities. Combining Statement of Net Assets and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 - 44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 - 102 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State's progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net assets (government and business-type activities) totaled $12.6 billion at the end of 2010 and $14.5 billion at the end of 2009.

Net Assets as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 5,951	$ 5,342	$ 8,201	$ 8,053	$ 14,152	$13,395
Capital assets	19,252	19,265	3,894	3,207	23,146	22,472
Total assets	25,203	24,607	12,095	11,260	37,298	35,867
Long-term liabilities	13,195	11,369	5,930	5,375	19,125	16,744
Other liabilities	4,722	3,882	875	697	5,597	4,579
Total liabilities	17,917	15,251	6,805	6,072	24,722	21,323
Net assets:						
Invested in capital assets, net of related debt	13,796	14,381	1,555	1,368	15,351	15,749
Restricted	155	127	2,281	2,321	2,436	2,448
Unrestricted	(6,665)	(5,152)	1,454	1,499	(5,211)	(3,653)
Total net assets	$ 7,286	$ 9,356	$ 5,290	$ 5,188	$ 12,576	$14,544

The largest portion of the State's net assets, $15.4 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net assets, $2.4 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of $5.2 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year.

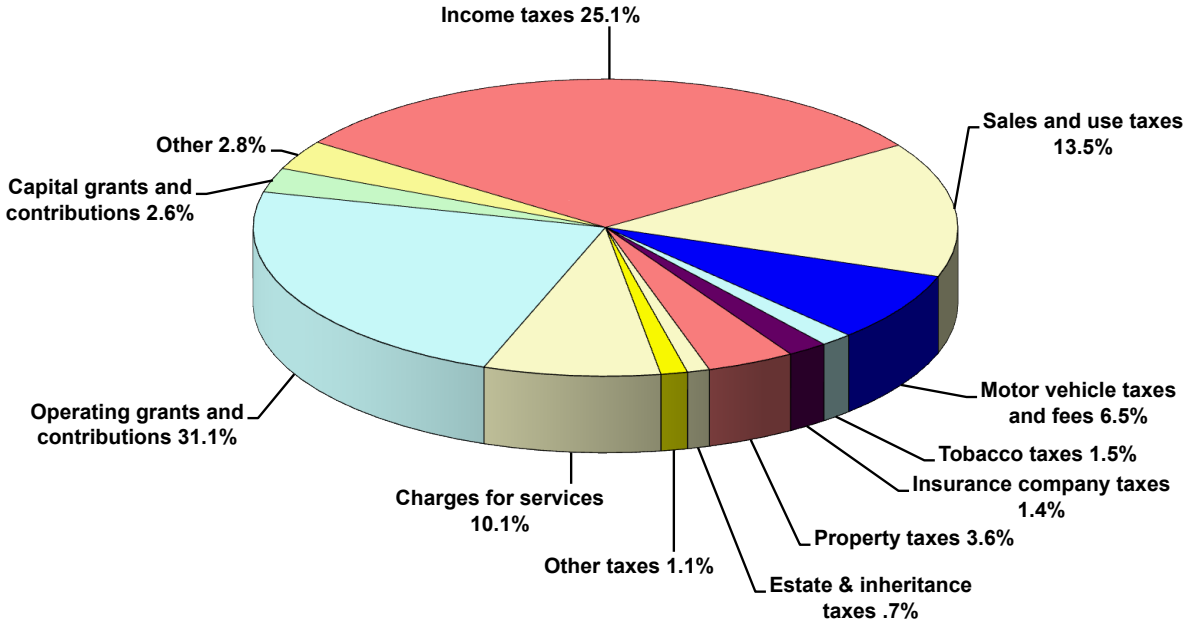
Changes in Net Assets

For the Year Ended June 30,

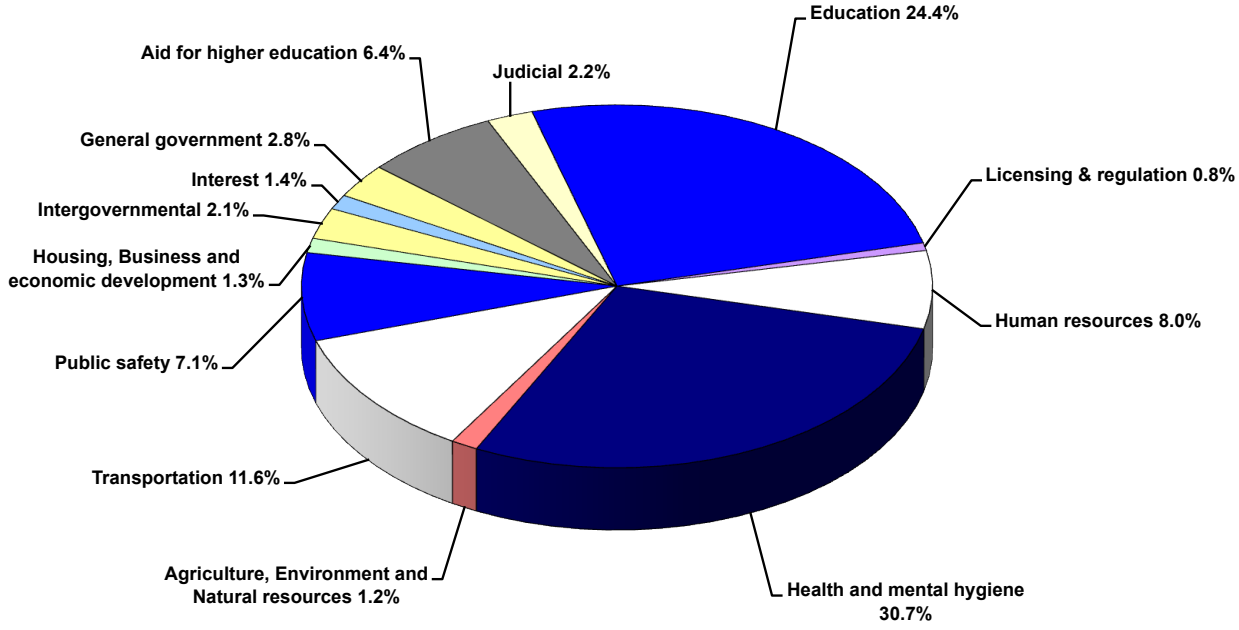
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 2,819	$ 2,405	$3,613	$2,932	$ 6,432	$ 5,337
Operating grants and contributions	8,659	7,080	1,016	391	9,675	7,471
Capital grants and contributions	728	692			728	692
General revenues:						
Income taxes	7,003	7,168			7,003	7,168
Sales and use taxes	3,761	3,857			3,761	3,857
Motor vehicle taxes	1,797	1,787			1,797	1,787
Tobacco taxes	406	406			406	406
Insurance company taxes	383	369			383	369
Property taxes	1,010	969			1,010	969
Estate & inheritance taxes	196	230			196	230
Other taxes	295	293			295	293
Unrestricted investment earnings	168	203	9	18	177	221
Total revenues	27,225	25,459	4,638	3,341	31,863	28,800
Expenses:						
General government	837	836			837	836
Health and mental hygiene	9,174	8,399			9,174	8,399
Education	7,294	7,173			7,294	7,173
Aid for higher education	1,908	1,878			1,908	1,878
Human resources	2,401	2,163			2,401	2,163
Public safety	2,120	2,134			2,120	2,134
Transportation	3,461	3,203			3,461	3,203
Judicial	655	682			655	682
Labor, licensing and regulation	254	204			254	204
Natural resources and recreation	188	219			188	219
Housing and community development	320	248			320	248
Environment	122	124			122	124
Agriculture	57	95			57	95
Business and economic development	79	95			79	95
Intergovernmental grants	635	625			635	625
Interest	405	390			405	390
Economic development insurance programs			4	9	4	9
Economic development loan programs			316	285	316	285
Unemployment insurance program			2,004	1,330	2,004	1,330
State Lottery			1,205	1,207	1,205	1,207
Transportation Authority			327	308	327	308
Maryland Correctional Enterprises			50	53	50	53
Total expenses	29,910	28,468	3,906	3,192	33,816	31,660
Increase (decrease) in net assets before transfers and special items	(2,685)	(3,009)	732	149	(1,953)	(2,860)
Transfers and special items	615	461	(615)	(461)		
Change in net assets	(2,070)	(2,548)	117	(312)	(1,953)	(2,860)
Net assets - beginning (as restated)	9,356	11,904	5,173	5,500	14,529	17,404
Net assets - ending	$ 7,286	$ 9,356	$5,290	$5,188	$12,576	$14,544

2010 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2010 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



Governmental Activities

Comparing current year activities to the prior year discloses that revenues increased by $1.8 billion or 6.9%, while expenses increased by $1.4 billion or 5.1%. The revenue increase was primarily due to an increase of $1.6 billion or 22.3% in operating grants and an increase of $414 million or 17.2% in charges for services. The increase in operating grants was primarily due to increases in federal revenues for Medicaid expenses, due to the economy – driven growth in enrollment; education; and temporary assistance programs in human resources. A significant portion of this increase includes growth in American Recovery and Reinvestment Act funds.

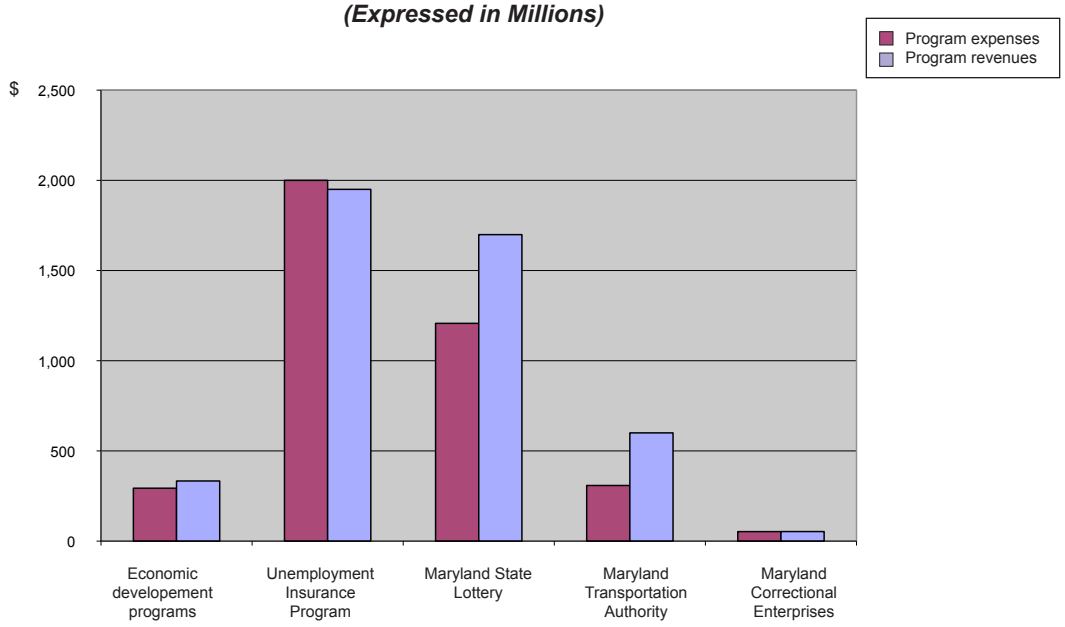
These increases were offset by a decrease of $165 million or 2.3% in income taxes and a decrease of $96 million or 2.5% in sales and use taxes. The decrease in taxes was primarily due to the continued declining economy nationwide. The increase in expenses was primarily due to increases of $775 million or 9.2% in health care programs, $258 million or 8.1% for transportation, and $238 million or 11.0% for human resources.

Business-type Activities

Business-type activities increased the State's net assets by $732 million before transfers of $615 million to governmental activities, for a net increase of $117 million in net assets. The increase compares to an increase of $149 million before transfers of $461 million in the prior year. Key elements of this increase are as follows:

- The change in net assets for the Maryland Transportation Authority was an increase of $293 million compared to an increase of $125 million in the prior year. Net operating income was $237 million compared to $116 million in the prior year. Operating revenues increased by $145 million (38.9%), including an increase in intergovernmental revenue of $100 million of which $55 million was received from the State of Maryland for reimbursement of construction costs for the Inter-County Connector. Operating expenses increased by $24 million (9.4%) due primarily to increases in depreciation and insurance. Non-operating revenues and expenses increased by $47 million, primarily for the gain on the sale of land at the Seagirt Marine Terminal ($59 million), offset by a reduction in investment revenue ($17 million).
- The change in net assets for the Unemployment Insurance Program was a decrease of $68 million compared to a decrease of $486 million in the prior year. Operating activities produced a deficit of $1.1 billion compared to the prior year's operating deficit of $890 million. While the Program's charges for services increased by $503 million (114.3%), benefit payments increased by $674 million (50.6%) due to the continued increase in the number of Marylanders collecting unemployment benefits. Federal payments for extended benefits and other programs increased by $611 million (164.4%).

Expenses and Program Revenues - Business-type Activities
(Expressed in Millions)



- Economic Development Loan Programs had a decrease of $96 million in net assets compared to an increase of $54 million in the prior year. The difference between years is primarily due to an increase of $129 million in net transfers to the general fund.
- Lottery ticket sales were $1.7 billion, an increase of $8 million (.5%) over last year. Operating expenses decreased by $2 million (.2%) and transfers to governmental activities increased to $511 million in 2010, from $493 million in 2009, an increase of 3.5%. Video Lottery Terminal (VLT) applicant fees increased by $3 million in 2010 compared to 2009. This increase is the result of the expansion of the VLT Program. During 2010, the Video Lottery Commission approved the award of two VLT operator licenses.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of $1.8 billion, a decrease of $155 million from the prior year. The combined fund balance includes a deficit of $700 million in unassigned, including a deficit of $341 million for the general fund and a deficit of $359 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable ($620 million); 2) restricted by outside parties or to pay debt service on general obligation bonds from specific taxes ($155 million); or 3) committed to legislated purposes or to liquidate contracts and purchase orders of the prior period ($1.7 billion). Included in committed fund balance is $615 million in the "State Reserve Fund" which is set aside to meet future financial needs. By law, the governor must appropriate to the State Reserve Fund, the general fund surplus of the second preceding fiscal year that exceeds $10,000,000. The unassigned general fund deficit plus the amount in the State Reserve Fund, is approximately .9 % of the total annual expenditures in governmental funds, compared with 3.0% for the prior year.

General Fund

The general fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the general fund was $341 million, while total fund balance was $1.2 billion. The fund balance of the State's general fund decreased by $261 million during 2010, compared to a decrease of $1.4 billion for 2009. Although increases in revenues, $1.7 billion (7.7%), were greater than increases in expenditures, $1.2 billion (5.0%), there was a deficiency of revenues compared to expenditures of $1.0 billion in the current year.

Revenues increased by $1.7 billion over the prior year, primarily due to increases in federal revenues, $1.6 billion (22.5%) and charges for services, $390 million (47.0%), and despite revenue decreases for income taxes, $198 million (2.8%), and sales and use taxes, $97 million (2.5%).

General fund expenditures increased by $1.2 billion. Expenditures for education, health and mental hygiene and human resources increased by $250 million (3.0%), $755 million (9.1%) and $229 million (11.1%), respectively. These increases were the result of continued increased funding for education, and continued increases in Medicaid costs and funding for food stamps and temporary assistance due to the worsening economy.

Transfers out from the general fund were $510 million this year compared to $475 million for the prior year. This increase was due primarily to an increase of $26 million to the Economic Development Loan Programs.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was $336 million as of June 30, 2010, an increase of $7 million (2.1%) from the prior fiscal year. Revenues increased by $67 million (2.2%), expenditures decreased by $329 million (9.7%), and other sources of financial resources decreased by $568 million. The increase in revenues was primarily from an increase in federal revenue, and the decrease in expenditures was primarily in

intergovernmental grants and revenue sharing and capital outlays. The decrease in other sources of financial resources was due to reductions in bonds issued and an increase in transfers to the general fund.

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the general fund for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final general fund budget was a decrease of $336 million or 2.4 %. The Department of Health and Mental Hygiene appropriations decreased by $180 million primarily due to cost containment actions, partially offset by deficiency appropriations related to Medicaid enrollment growth. In addition, there were cost containment reductions due to reduced revenue estimates throughout all functions of the general fund budget.

The difference between the final budget, $13.6 billion and actual expenditures, $13.5 billion was $96 million, or .7%. This amount was encumbered for future spending. The variance was primarily due to the cancellation of current and prior year encumbrances. Appropriations were cancelled primarily for legislative, judicial, health, education, and business and economic development functions.

Capital Asset and Debt Administration

Capital assets

At June 30, 2010, the State had invested $23.1 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled $1.1 billion ($1.0 billion for governmental activities and $53 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was $674 million (a decrease of $13 million for governmental activities and an increase of $687 million for business-type activities).

Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and improvements	$ 3,081	$ 2,995	$ 404	$ 396	$ 3,485	$ 3,391
Art and historical treasures	9	28			9	28
Structures and improvements	3,700	3,541	24	24	3,724	3,565
Equipment	803	788	30	30	833	818
Infrastructure	9,310	8,457	1,259	1,376	10,569	9,833
Construction in progress	2,349	3,456	2,177	1,381	4,526	4,837
Total	$ 19,252	$ 19,265	$ 3,894	$ 3,207	$ 23,146	$22,472

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, various transit, port and motor vehicle administration construction projects; and software development for modernized integrated tax system. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in increases in land and improvements and construction in progress, and the restoration of existing facilities.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2010, the State had outstanding bonds totaling $14.3 billion. Of this amount, $6.5 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining $7.8 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds (backed by the State)	$ 6,523	$ 5,874			$ 6,523	$ 5,874
Transportation Bonds (backed by specific revenues)	1,645	1,583			1,645	1,583
Revenue Bonds (backed by specific revenues)			$ 6,162	$ 5,423	6,162	5,423
Total	$ 8,168	$ 7,457	$ 6,162	$ 5,423	$ 14,330	$ 12,880

The total increase in bonded debt in the current fiscal year was $1.5 billion ($649 million increase related to general obligation bonds, and $62 and $739 million increase related to transportation and revenue bonds, respectively). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2010, the State issued general obligation debt totaling $1.9 billion at a premium of $196 million. Of this amount, $798 million and related premium of $130 million was for refunding bonds. On August 10, 2010 (fiscal year 2011), the State issued general obligation bonds aggregating $485 million for capital improvements.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed $2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2010, was $1.8 billion. The actual amount in Consolidated Transportation Bonds outstanding was $1.6 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

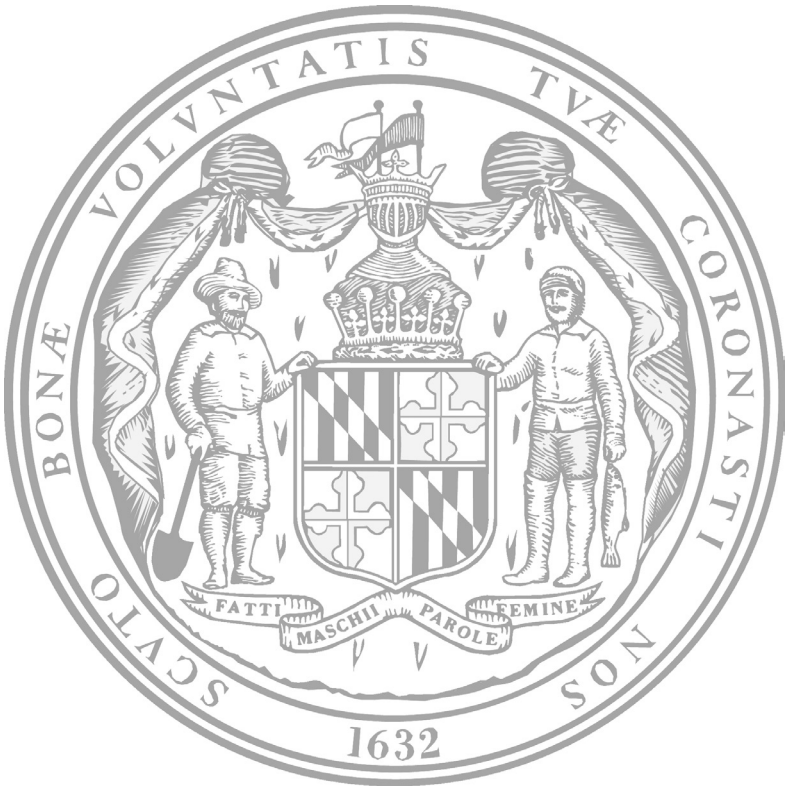
Economic Factors and Next Year's Budget

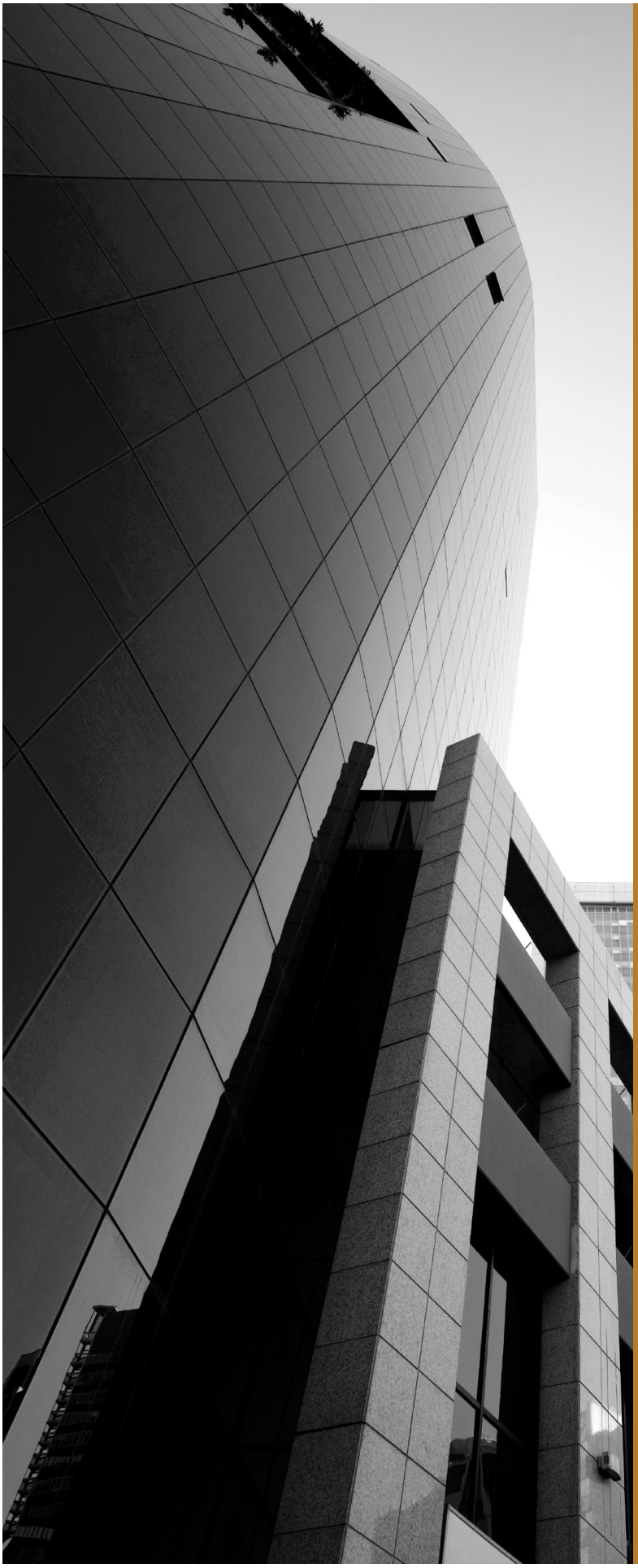
The recent national recession has slowed Maryland's economy and its effects will likely continue to be felt for an extended period of time. Economic indicators in employment, personal income and housing continued to show deterioration from the start of the recession and, in some areas, historic declines from recent decades. In this environment, the budget will be balanced in fiscal year 2011 by reducing general fund spending by $265 million and total spending by $249 million from fiscal year 2010.

Nevertheless, Maryland's economy is showing signs of the emerging national recovery. The Base Realignment and Closure process has begun to create defense-related jobs and should accelerate new jobs through September 2011. This and other factors such as a highly skilled workforce, employment in growth sectors such as health services, and a strong Federal government presence, should accelerate the emergence of Maryland's economy.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland 21404.


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BASIC FINANCIAL STATEMENTS

STATE OF MARYLAND
Statement of Net Assets
June 30, 2010
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 206,810	$ 93,366	$ 300,176	$ 121,880
Equity in pooled invested cash	1,800,805	595,211	2,396,016	1,294,466
Investments	280,577	415,613	696,190	536,198
Endowment investments				183,250
Foundation investments				819,387
Inventories	105,076	14,412	119,488	12,343
Prepaid items	498,891		498,891	6,448
Deferred charges	21,439		21,439	4,460
Taxes receivable, net	1,011,927		1,011,927	
Intergovernmental receivables	1,049,728		1,049,728	
Tuition contracts receivable				229,735
Due from primary government				3,764
Due from component units	702		702	
Other accounts receivable	525,939	52,370	578,309	433,906
Loans and notes receivable, net	16,367	606,291	622,658	74,964
Investment in direct financing leases		398,906	398,906	232,762
Other assets	5,725	26,523	32,248	21,542
Collateral for lent securities	247,824		247,824	
Restricted assets:				
Cash and cash equivalents	41,384	1,425,358	1,466,742	65,359
Equity in pooled invested cash	105,315		105,315	
Investments	2,930	1,175,638	1,178,568	130,955
Deferred charges		17,000	17,000	
Deferred outflows on interest rate swaps		32,630	32,630	
Taxes receivable, net	26,329		26,329	
Loans and notes receivable, net	3,256	3,013,361	3,016,617	
Other	91	333,928	334,019	
Capital assets, net of accumulated depreciation:				
Land	3,081,026	404,872	3,485,898	165,718
Art and historical treasures	9,370		9,370	375
Structures and other improvements	3,699,877	23,590	3,723,467	3,570,677
Equipment	802,515	29,728	832,243	389,875
Infrastructure	9,310,446	1,258,956	10,569,402	188,142
Construction in progress	2,348,911	2,176,988	4,525,899	477,055
Total capital assets	19,252,145	3,894,134	23,146,279	4,791,842
Total assets	25,203,260	12,094,741	37,298,001	8,963,261

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Salaries payable	172,384		172,384	104,083
Vouchers payable	348,025		348,025	
Accounts payable and accrued liabilities	2,253,746	374,333	2,628,079	213,523
Internal balances	(38,151)	38,151		
Due to component units	3,764		3,764	
Due to primary government				702
Accounts payable to political subdivisions	274,068		274,068	
Unearned revenue	497,797	19,794	517,591	264,095
Interest rate swaps		32,630	32,630	
Accrued insurance on loan losses		14,453	14,453	3,831
Other liabilities				4,997
Collateral obligations for lent securities	247,824		247,824	
Bonds and notes payable:				
Due within one year	598,264	358,646	956,910	112,904
Due in more than one year	8,045,134	5,802,987	13,848,121	1,357,842
Other noncurrent liabilities:				
Due within one year	365,225	36,757	401,982	181,348
Due in more than one year	5,149,638	127,081	5,276,719	833,447
Total liabilities	17,917,718	6,804,832	24,722,550	3,076,772
Net Assets				
Invested in capital assets, net of related debt	13,796,006	1,554,706	15,350,712	3,607,970
Restricted for:				
Debt service	151,317	164,802	316,119	9,440
Capital improvements and deposits	2,657	494,800	497,457	29,868
Higher education-nonexpendable				589,952
Higher education-expendable				444,948
Unemployment compensation benefits		498,605	498,605	
Loan programs		1,019,986	1,019,986	75,308
Insurance programs		103,379	103,379	
Other	398		398	
Unrestricted (deficit)	(6,664,836)	1,453,631	(5,211,205)	1,129,003
Total net assets	$7,285,542	$5,289,909	$12,575,451	$5,886,489

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2010
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Total	Component Units
Primary government -								
Governmental activities:								
General government	$ 837,542	$ 490,230	$ 76,580	$ 4,376	$ (266,356)		$ (266,356)	
Health and mental hygiene	9,174,006	948,124	4,814,136		(3,411,746)		(3,411,746)	
Education	7,294,358	77,003	1,362,882		(5,854,473)		(5,854,473)	
Aid for higher education	1,908,027	139,909	48,173		(1,719,945)		(1,719,945)	
Human resources	2,401,029	92,254	1,559,696		(749,079)		(749,079)	
Public safety	2,119,696	81,459	177,565	2,347	(1,858,325)		(1,858,325)	
Transportation	3,460,865	527,330	90,762	714,144	(2,128,629)		(2,128,629)	
Judicial	654,605	246,027	6,422		(402,156)		(402,156)	
Labor, licensing and regulation	253,977	30,154	163,469		(60,354)		(60,354)	
Natural resources and recreation	187,525	48,359	33,369	909	(104,888)		(104,888)	
Housing and community development	319,721	17,851	294,567		(7,303)		(7,303)	
Environment	121,957	59,156	23,936		(38,865)		(38,865)	
Agriculture	57,275	47,938	4,352	6,127	1,142		1,142	
Business and economic development	78,701	13,796	3,042		(61,863)		(61,863)	
Intergovernmental grants and revenue sharing	635,467				(635,467)		(635,467)	
Interest	405,163	405	857		(403,901)		(403,901)	
Total governmental activities	29,909,914	2,819,995	8,659,808	727,903	(17,702,208)		(17,702,208)	
Business-type activities:								
Economic development - insurance programs	4,247	4,591				$ 344	344	
Economic development - general loan programs	13,501	3,561				(9,940)	(9,940)	
Economic development - water quality loan programs	99,911	80,900	32,842			13,831	13,831	
Economic development - housing loan programs	201,077	220,874				19,797	19,797	
Unemployment insurance program	2,004,334	953,711	982,803			(67,820)	(67,820)	
Maryland State Lottery	1,205,310	1,711,285				505,975	505,975	
Maryland Transportation Authority	327,360	588,427				261,067	261,067	
Maryland Correctional Enterprises	49,965	49,278				(687)	(687)	
Total business-type activities	3,905,705	3,612,627	1,015,645			722,567	722,567	
Total primary government	$33,815,619	$6,432,622	$9,675,453	$727,903	(17,702,208)	722,567	(16,979,641)	

Component units:								
Higher education	$4,295,594	$1,978,808	$1,351,702	$203,846				$ (761,238)
Maryland Prepaid College Trust	66,942	57,485						(9,457)
Maryland Stadium Authority	70,604	34,311	21,273					(15,020)
Other component units	151,080	135,034	21,451					5,405
Total component units	$4,584,220	$2,205,638	$1,394,426	$203,846				(780,310)
General revenues:								
Income taxes					7,003,514		7,003,514	
Sales and use taxes					3,760,756		3,760,756	
Motor vehicle taxes					1,796,769		1,796,769	
Tobacco taxes					405,915		405,915	
Insurance company taxes					382,569		382,569	
Property taxes					1,009,768		1,009,768	
Estate & inheritance taxes					196,002		196,002	
Other taxes					294,752		294,752	
Grants and contributions not restricted to specific programs								1,058,628
Unrestricted investment earnings					167,581	9,068	176,649	142,376
Changes to permanent endowments								(1,367)
Transfers					614,794	(614,794)		
Total general revenues, changes to permanent endowments, and transfers					15,632,420	(605,726)	15,026,694	1,199,637
Changes in net assets					(2,069,788)	116,841	(1,952,947)	419,327
Net assets - beginning of the year, as restated					9,355,330	5,173,068	14,528,398	5,467,162
Net assets - end of the year					$7,285,542	$5,289,909	$12,575,451	$5,886,489

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2010
(Expressed in Thousands)

	General	Special Revenue: Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 196,138	$ 10,672		$ 206,810
Equity in pooled invested cash	1,652,469	148,336		1,800,805
Investments	10,099		$270,478	280,577
Prepaid items	408,352	90,539		498,891
Taxes receivable, net	938,646	73,281		1,011,927
Intergovernmental receivables	843,193	200,133	6,402	1,049,728
Other accounts receivable	411,499	114,391	49	525,939
Due from other funds	95,867	125,030		220,897
Due from component units	702			702
Inventories	25,987	79,089		105,076
Loans and notes receivable	14,901	1,466		16,367
Collateral for lent securities	247,824			247,824
Restricted assets:				
Cash and cash equivalents		27,437		27,437
Cash with fiscal agent			13,947	13,947
Equity in pooled invested cash			105,315	105,315
Investments	2,930			2,930
Taxes receivable			26,329	26,329
Other accounts receivable			92	92
Due from other funds			2,425	2,425
Loans and notes receivable			3,256	3,256
Total assets	$4,848,607	$870,374	$428,293	$6,147,274
Liabilities:				
Salaries payable	$ 147,411	$ 24,974		$ 172,385
Vouchers payable	255,818	38,932	$ 53,275	348,025
Accounts payable and accrued liabilities	1,392,077	349,195	25,652	1,766,924
Due to other funds	467,452	12,889	54,830	535,171
Due to component units	3,764			3,764
Accounts payable to political subdivisions	177,449	41,946	54,673	274,068
Deferred revenue	802,279	66,716	47	869,042
Accrued self-insurance costs	105,441			105,441
Collateral obligations for lent securities	247,824			247,824
Total liabilities	3,599,515	534,652	188,477	4,322,644
Fund balances:				
Nonspendable	448,982	171,094		620,076
Spendable:				
Restricted	398	3,069	151,317	154,784
Committed	1,140,676	161,559	447,295	1,749,530
Unassigned (deficit)	(340,964)		(358,796)	(699,760)
Total fund balances	1,249,092	335,722	239,816	1,824,630
Total liabilities and fund balances	$4,848,607	$870,374	$428,293	$6,147,274

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance to the Statement of Net Assets', Net Assets Balance
June 30, 2010
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets (pages 24-25) differ from the amounts for the governmental funds' fund balances because of:	
Amount in governmental funds, fund balance (page 28)	$1,824,630
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	19,252,145
Taxes and other receivables that will not be available to pay for current-period expenditures and, therefore, are deferred in the funds	371,247
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds	(136,823)
Deferred charges not available to pay for current period expenditures	21,439
Other assets not available to pay for current period expenditures	5,725
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds	(6,601,989)
Deferred charges to be amortized over the life of the debt	20,530
Premiums to be amortized over the life of the debt	(340,084)
Transportation Bonds	(1,645,010)
Deferred charges to be amortized over the life of the debt	2,491
Premiums to be amortized over the life of the debt	(79,337)
Accrued self-insurance costs	(228,501)
Accrued annual leave	(324,003)
Pension liabilities	(1,226,437)
Other post-employment benefits liability	(2,430,102)
Pollution remediation	(169,416)
Obligation under capital leases	(798,201)
Obligations under capital leases with component units	(232,762)
Net assets of governmental activities (page 25)	$7,285,542

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

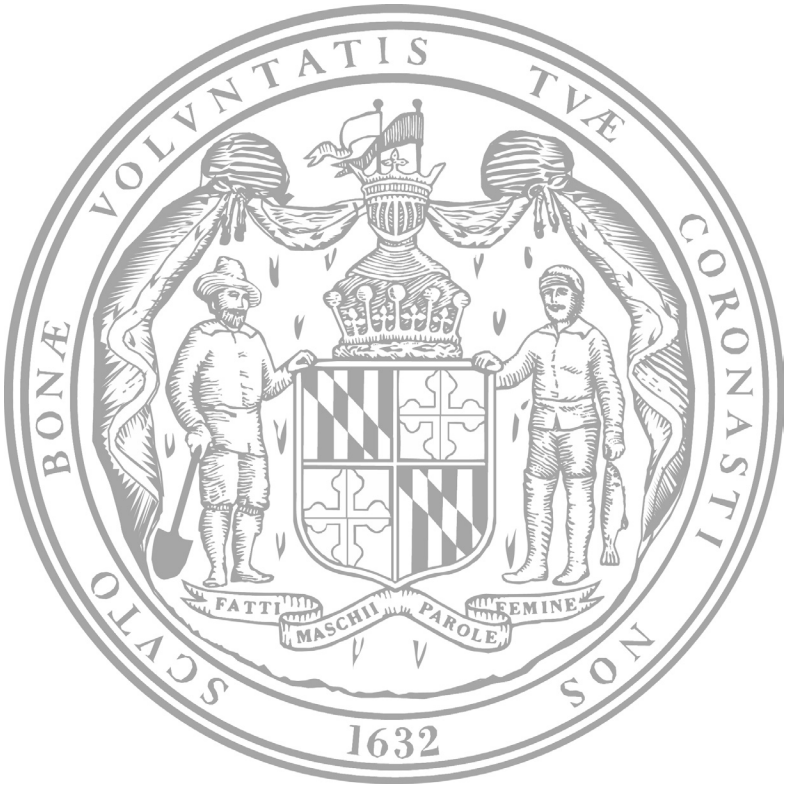
	General	Special Revenue: Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	$ 6,957,811			$ 6,957,811
Sales and use taxes	3,754,326			3,754,326
Motor vehicle taxes and fees		$1,796,769		1,796,769
Tobacco taxes	405,915			405,915
Insurance company taxes	382,569			382,569
Property taxes	262,942		$ 746,826	1,009,768
Estate & inheritance taxes	196,002			196,002
Other taxes	294,752			294,752
Other licenses and fees	682,756			682,756
Charges for services	1,220,226	419,691		1,639,917
Revenues pledged as security for bonds		89,521		89,521
Interest and other investment income	119,635	394	1,204	121,233
Federal revenue	8,581,125	804,906	857	9,386,888
Other	395,238	18,119	405	413,762
Total revenues	23,253,297	3,129,400	749,292	27,131,989
Expenditures:				
Current:				
General government	753,206			753,206
Health and mental hygiene	9,040,549			9,040,549
Education	6,896,720		300,958	7,197,678
Aid to higher education	1,642,836		264,178	1,907,014
Human resources	2,291,347			2,291,347
Public safety	1,773,141			1,773,141
Transportation		1,422,085		1,422,085
Judicial	556,908			556,908
Labor, licensing and regulation	226,118			226,118
Natural resources and recreation	184,342			184,342
Housing and community development	315,630			315,630
Environment	110,092			110,092
Agriculture	92,954			92,954
Business and economic development	74,578			74,578
Intergovernmental grants and revenue sharing	336,703	551,686	298,764	1,187,153
Capital outlays		1,092,891	107,285	1,200,176
Debt service:				
Principal retirement			560,348	560,348
Interest			366,237	366,237
Bond issuance costs	933		8,349	9,282
Total expenditures	24,296,057	3,066,662	1,906,119	29,268,838
Excess (deficiency) of revenues over (under) expenditures	(1,042,760)	62,738	(1,156,827)	(2,136,849)
Other financing sources (uses):				
Capital leases	15,472			15,472
Bonds issued		140,000	1,140,883	1,280,883
Refunding bonds issued			798,080	798,080
Bond premium		631	196,323	196,954
Payments to refunded bond escrow agent			(924,185)	(924,185)
Transfers in	1,276,702	376,856	241,491	1,895,049
Transfers out	(510,244)	(573,321)	(196,690)	(1,280,255)
Total other sources (uses) of financial resources	781,930	(55,834)	1,255,902	1,981,998
Net changes in fund balances	(260,830)	6,904	99,075	(154,851)
Fund balances, beginning of the year	1,509,922	328,818	140,741	1,979,481
Fund balances, end of the year	$ 1,249,092	$335,722	$ 239,816	$ 1,824,630

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because of the following:		
Net change in fund balances - total governmental funds (page 30)		$ (154,851)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital outlays	$1,448,945	
Depreciation expense	(1,026,089)	422,856
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Net loss on disposals and trade-ins	(435,953)	(435,953)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred revenues for taxes are recognized, net of revenue already recognized in the prior year	52,132	
Deferred revenues for other revenues are recognized, net of revenue already recognized in the prior year	(108,538)	
Revenues from other assets are recognized, net of revenue already recognized in the prior year	501	(55,905)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		
Debt issued, General Obligation Bonds	(1,126,770)	
Debt issued, Transportation Bonds	(140,000)	
Capital lease financing	(15,472)	
Premiums, discounts and issuance costs	(35,734)	
Principal repayments:		
General Obligation Bonds	482,754	
Transportation Bonds	77,595	
Capital leases	83,124	(674,503)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest	798	
Compensated absences	(16,121)	
Self-insurance	(4,873)	
Net pension obligation	(209,820)	
Other post-employment benefits liability	(951,972)	
Pollution remediation liabilities	10,556	(1,171,432)
Change in net assets of governmental activities (page 27)		$(2,069,788)

The accompanying notes to the financial statements are an integral part of this financial statement.


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STATE OF MARYLAND

ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland State Lottery Agency

This fund accounts for the operation of the State Lottery.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Assets
Enterprise Funds
June 30, 2010
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets -						
Current assets:						
Cash and cash equivalents			$ 2,393	$ 90,973		$ 93,366
Equity in pooled invested cash	$ 412,491		65,955		$116,765	595,211
Investments				56,145		56,145
Other accounts receivable	6,143		29,114	13,015	4,098	52,370
Due from other funds	20,985	$ 2,967		12,889		36,841
Inventories				4,261	10,151	14,412
Loans and notes receivable, net	27,152				41	27,193
Investment in direct financing leases				1,674		1,674
Other assets			35	555	222	812
Current restricted assets:						
Cash and cash equivalents	602,395	640	31,613	334,362		969,010
Cash on deposit with U.S. Treasury		456,348				456,348
Investments	122,763		24,987	346,603		494,353
Loans and notes receivable, net	102,829					102,829
Other accounts receivable	112,948	220,647	131			333,726
Total current assets	1,407,706	680,602	154,228	860,477	131,277	3,234,290
Non-current assets:						
Investments	67,010			290,982	1,476	359,468
Loans and notes receivable, net	578,656				442	579,098
Investment in direct financing leases				397,232		397,232
Other assets				25,711		25,711
Restricted non-current assets:						
Investments	486,088		88,695	106,502		681,285
Deferred charges	17,000					17,000
Deferred outflow on interest rate swaps	32,630					32,630
Loans and notes receivable, net	2,910,532					2,910,532
Other accounts receivable	202					202
Capital assets, net of accumulated depreciation:						
Land				404,872		404,872
Structures and improvements				22,574	1,016	23,590
Equipment	23		4,469	18,950	6,286	29,728
Infrastructure				1,258,902	54	1,258,956
Construction in progress				2,175,250	1,738	2,176,988
Total non-current assets	4,092,141		93,164	4,700,975	11,012	8,897,292
Total assets	5,499,847	680,602	247,392	5,561,452	142,289	12,131,582

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Accounts payable and accrued liabilities	66,909	48,156	79,293	178,356	1,619	374,333
Due to other funds	2,011		39,026	33,955		74,992
Accrued insurance on loan losses	616				13,837	14,453
Other liabilities	6,466		25,977	2,815	1,499	36,757
Unearned revenue	111		2,322	14,784	2,577	19,794
Revenue bonds payable - current	140,340	133,841		84,465		358,646
Total current liabilities	216,453	181,997	146,618	314,375	19,532	878,975
Non-current liabilities:						
Interest rate swaps	32,630					32,630
Other liabilities	18,241		78,817	27,789	2,234	127,081
Revenue bonds payable	3,126,959			2,676,028		5,802,987
Total non-current liabilities	3,177,830		78,817	2,703,817	2,234	5,962,698
Total liabilities	3,394,283	181,997	225,435	3,018,192	21,766	6,841,673
Net Assets-						
Invested in capital assets, net of related debt	23		(791)	1,546,380	9,094	1,554,706
Restricted for:						
Debt service				164,802		164,802
Capital improvements				494,800		494,800
Unemployment compensation benefits		498,605				498,605
Loan programs	1,019,986					1,019,986
Insurance programs					103,379	103,379
Unrestricted	1,085,555		22,748	337,278	8,050	1,453,631
Total net assets	$2,105,564	$498,605	$ 21,957	$2,543,260	$120,523	$5,289,909

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales			$1,706,573			$1,706,573
Charges for services and sales	$ 68,478	$943,315	3,592	$ 514,281	$ 52,271	1,581,937
Loan and grant recoveries	1,501					1,501
Unrestricted interest on loan income	12,092				536	12,628
Restricted interest on loan income	153,745					153,745
Other	6,649		1,120	4,896	35	12,700
Total operating revenues	242,465	943,315	1,711,285	519,177	52,842	3,469,084
Operating expenses:						
Prizes and claims			1,034,157			1,034,157
Commissions and bonuses			113,131			113,131
Cost of sales and services			22,986		40,908	63,894
Operation and maintenance of facilities				205,107		205,107
General and administrative	39,219		33,672	26,631	10,452	109,974
Benefit payments		2,004,334				2,004,334
Capital grant distributions	91,038					91,038
Depreciation and amortization	19		1,308	50,414	1,450	53,191
Provision for insurance on loan losses	24,217				1,402	25,619
Other	15,397					15,397
Total operating expenses	169,890	2,004,334	1,205,254	282,152	54,212	3,715,842
Operating income (loss)	72,575	(1,061,019)	506,031	237,025	(1,370)	(246,758)
Non-operating revenues (expenses):						
Unrestricted interest and other investment income	8,060		(782)	1,790		9,068
Restricted interest and other investment income	61,611	10,396		10,543	2,182	84,732
Interest expense	(143,073)		(56)	(45,208)		(188,337)
Federal grants and distributions	32,842	982,803				1,015,645
Other	(267)			58,707	(1,155)	57,285
Total non-operating revenues (expenses)	(40,827)	993,199	(838)	25,832	1,027	978,393
Income (loss) before transfers	31,748	(67,820)	505,193	262,857	(343)	731,635
Transfers in	40,711			30,000		70,711
Transfers out	(168,666)		(510,609)		(6,230)	(685,505)
Changes in net assets	(96,207)	(67,820)	(5,416)	292,857	(6,573)	116,841
Total net assets - beginning of the year, as restated.	2,201,771	566,425	27,373	2,250,403	127,096	5,173,068
Total net assets - end of the year	$2,105,564	$498,605	$ 21,957	$2,543,260	$120,523	$5,289,909

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers	$ 443,249	$ 847,070	$ 1,710,733	$ 495,964	$ 51,679	$3,548,695
Payments to suppliers	(1,515)		(40,249)	(85,854)	(32,469)	(160,087)
Payments to employees	(14,418)		(12,833)	(128,142)	(17,490)	(172,883)
Program loan disbursements	(222,734)					(222,734)
Other receipts	179,258			14,518	8,197	201,973
Other payments	(151,944)	(2,010,929)	(105,725)		(1,569)	(2,270,167)
Lottery prize payments			(1,028,577)			(1,028,577)
Net cash from operating activities	231,896	(1,163,859)	523,349	296,486	8,348	(103,780)
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds	384,535	133,841		1,590		519,966
Payment on revenue bonds	(242,000)					(242,000)
Interest payments	(153,998)					(153,998)
Transfers in	45,705			30,000		75,705
Transfers out	(161,944)		(529,156)		(7,352)	(698,452)
Grants	35,102	982,803				1,017,905
Lottery installment payments			(29,656)			(29,656)
Net cash from non-capital financing activities	(92,600)	1,116,644	(558,812)	31,590	(7352)	489,470
Cash flows from capital and related financing activities:						
Payments on interfund borrowings					(1,407)	(1,407)
Proceeds from notes payable and revenue bonds				558,053		558,053
Principal paid on notes payable and revenue bonds				(69,084)		(69,084)
Interest payments			(56)	(85,202)		(85,258)
Proceeds from sale of capital assets				140,000		140,000
Acquisition of capital assets				(763,272)	(3,327)	(766,599)
Payments of capital lease obligations			(487)			(487)
Net cash from capital and related financing activities			(543)	(219,505)	(4,734)	(224,782)
Cash flows from investing activities:						
Purchase of investments	(266,448)		(959)	(4,756,093)		(5,023,500)
Proceeds from maturity and sale of investments	267,332		29,656	4,644,697		4,941,685
Interest on investments	17,555	10,396		12,026	2,182	42,159
Net cash from investing activities	18,439	10,396	28,697	(99,370)	2,182	(39,656)
Net changes in cash and cash equivalents	157,735	(36,819)	(7,309)	9,201	(1,556)	121,252
Balance - beginning of the year	444,660	493,807	41,315	416,134	1,556	1,397,472
Balance - end of the year	$ 602,395	$ 456,988	$ 34,006	$ 425,335	$ -	$1,518,724

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2010
(Continued)
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 72,575	$(1,061,019)	$506,031	$237,025	$(1,370)	$(246,758)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	19		1,308	50,414	1,450	53,191
Deferred prize payment			959			959
Effect of changes in non-cash operating assets and liabilities:						
Equity in pooled invested cash	97,633		7,479		7,585	112,697
Investments	(124)					(124)
Other accounts receivable	(56,034)	(95,884)	(1,638)	837	296	(152,423)
Due from other funds	803	(361)		(7,246)		(6,804)
Inventories				(175)	927	752
Loans and notes receivable	125,078				30	125,108
Other assets			2		(261)	(259)
Accounts payable and accrued liabilities	(6,288)	(6,595)	(4,553)	15,780	(405)	(2,061)
Due to other funds	(1,407)		13,825	1,679		14,097
Accrued insurance on loan losses	32				558	590
Other liabilities	(476)		27	457	395	403
Unearned revenue	85		(91)	(2,285)	(857)	(3,148)
Total adjustments	159,321	(102,840)	17,318	59,461	9,718	142,978
Net cash from operating activities	$ 231,896	$(1,163,859)	$523,349	$296,486	$ 8,348	$(103,780)
Noncash transactions (amounts expressed in thousands):						
Unrealized gain (loss) on investments	$ 12,847		$ (783)	$ 1,517		
Additions to capital assets				55,607		

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash and cash equivalents	$ 1,644,895		$ 5	$132,682
Equity in pooled invested cash				465,762
Investments:				
U.S. Treasury and agency obligations	1,240,222	$1,755,991	18,104	
Repurchase agreements		433,016		
Bonds	2,892,918		27,243	
Corporate equity securities	13,160,346		104,977	
Commercial paper		238,113		
Mortgage related securities	1,676,774			
Mutual funds	3,024,934	158,551		
Guaranteed investment contracts	744,569			
Real estate	1,212,462		17,525	
Annuity contracts	112,712			
Private equity	1,585,865			
Alternative investments	2,622,000			
Investments held by borrowers under securities lent with cash collateral	4,496,980			
Total investments	32,769,782	2,585,671	167,849	
Taxes receivable, net				238,885
Intergovernmental receivables				375,469
Other receivables	1,087,082	581		2,288
Accounts receivable from state treasury				350,000
Collateral for lent securities	4,630,233			
Total assets	40,131,992	2,586,252	167,854	1,565,086
Liabilities:				
Accounts payable and accrued liabilities	1,131,912	10,499		163,802
Accounts payable to political subdivisions				1,401,284
Collateral obligation for lent securities	4,630,233			
Total liabilities	5,762,145	10,499		1,565,086
Net assets:				
Held in trust for:				
Pension benefits (A schedule of funding progress for each of the plans may be found on pages 107&108)	32,053,081			
Deferred compensation benefits	2,316,766			
Local Government Investment Pool participants		2,575,753		
Postretirement health benefits			167,854	
Total net assets	$34,369,847	$2,575,753	$167,854	$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers	$ 545,564		$ 2,425
Members	697,151	$6,275,672	
Sponsors	804,220		
Total contributions	2,046,935	6,275,672	2,425
Investment earnings:			
Net increase in fair value of investments	3,670,608		14,704
Interest	348,572	6,089	141
Dividends	516,723		4,292
Real estate operating net earnings	20,890		
Total investment earnings	4,556,793	6,089	19,137
Less: investment expense	163,199	774	120
Net investment earnings	4,393,594	5,315	19,017
Total additions	6,440,529	6,280,987	21,442
Deductions:			
Benefit payments	2,604,377		
Distributions to participants		5,315	
Redemptions (unit transactions at $1.00 per unit)		6,229,382	
Refunds	33,531		
Administrative expenses	32,526		
Total deductions	2,670,434	6,234,697	
Changes in net assets	3,770,095	46,290	21,442
Net assets - beginning of the year	30,599,752	2,529,463	146,412
Net assets - end of the year	$34,369,847	$2,575,753	$167,854

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Assets
Component Units
June 30, 2010
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Assets:					
Cash and cash equivalents	$ 80,669	$ 11,389	$ 682	$ 29,140	$ 121,880
Equity in pooled invested cash	1,251,556	159	1,626	41,125	1,294,466
Investments	3,952	519,321		12,925	536,198
Endowment investments	183,250				183,250
Foundation investments	819,387				819,387
Tuition contracts receivable	61,349	168,386			229,735
Other accounts receivable	393,907	1,844	8,625	29,530	433,906
Due from primary government			3,764		3,764
Inventories	12,343				12,343
Prepaid items	6,448				6,448
Deferred charges	1,879		2,581		4,460
Loans and notes receivable, net	69,854		4,470	640	74,964
Investments in direct financing leases			228,628	4,134	232,762
Other assets	16,389		185	4,968	21,542
Restricted assets:					
Cash and cash equivalents	62,864		74	2,421	65,359
Investments	97,231		21,284	12,440	130,955
Capital assets, net of accumulated depreciation:					
Land	157,702			8,016	165,718
Art and historical treasures	375				375
Structures and improvements	3,362,262		183,012	25,403	3,570,677
Infrastructure	187,640			502	188,142
Equipment	371,480	53	10,909	7,433	389,875
Construction in progress	461,562			15,493	477,055
Total assets	7,602,099	701,152	465,840	194,170	8,963,261
Liabilities:					
Salaries payable	104,083				104,083
Accounts payable and accrued liabilities	166,027	285	16,072	31,139	213,523
Due to primary government	702				702
Unearned revenue	202,955	10,562	48,490	2,088	264,095
Accrued insurance on loan losses				3,831	3,831
Other liabilities	4,770			227	4,997
Bonds and notes payable:					
Due within one year	81,271		18,069	13,564	112,904
Due in more than one year	1,109,196		244,106	4,540	1,357,842
Other noncurrent liabilities:					
Due within one year	97,447	54,755	55	29,091	181,348
Due in more than one year	178,101	630,390	881	24,075	833,447
Total liabilities	1,944,552	695,992	327,673	108,555	3,076,772

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net Assets:					
Invested in capital assets, net of related debt	3,458,855	53	114,683	34,379	3,607,970
Restricted:					
Debt service			4,919		4,919
Capital improvements and deposits		773	16,438	115	17,326
Nonexpendable:					
Scholarships and fellowships	228,954				228,954
Research	11,313				11,313
Other	349,685				349,685
Expendable:					
Debt service	4,521				4,521
Capital projects	12,542				12,542
Loans and notes receivable	75,308				75,308
Scholarships and fellowships	106,118				106,118
Research	89,768				89,768
Other	249,062				249,062
Unrestricted	1,071,421	4,334	2,127	51,121	1,129,003
Total net assets	$5,657,547	$ 5,160	$138,167	$ 85,615	$5,886,489

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		$ 1,970	$ 7,593	$ 13,376	$ 22,939
Operation and maintenance of facilities	$ 335,999		21,988	108,551	466,538
Instruction	1,110,146				1,110,146
Research	933,562				933,562
Public service	145,272				145,272
Academic support	360,179				360,179
Student services	189,750				189,750
Institutional support	391,454				391,454
Scholarships and fellowships	118,275				118,275
Tuition benefits		64,907			64,907
Auxiliary	453,460				453,460
Hospitals	137,710				137,710
Interest on long-term debt	43,121		16,499	980	60,600
Depreciation and amortization		47	16,568	3,120	19,735
Foundation expenses	75,046				75,046
Other	1,620	18	7,956	25,053	34,647
Total expenses	4,295,594	66,942	70,604	151,080	4,584,220
Program revenues:					
Charges for services:					
Student tuition and fees (net of $240,464 in allowances)	1,112,404				1,112,404
Auxiliary enterprises (net of $35,350 in allowances)	499,648				499,648
Restricted investment earnings	58,050		1,539	25	59,614
Other	308,706	57,485	32,772	135,009	533,972
Total charges for services	1,978,808	57,485	34,311	135,034	2,205,638
Operating grants and contributions	1,351,702		21,273	21,451	1,394,426
Capital grants and contributions	203,846				203,846
Total program revenues	3,534,356	57,485	55,584	156,485	3,803,910
Net program revenue (expense)	(761,238)	(9,457)	(15,020)	5,405	(780,310)
General revenues:					
Grants and contributions not restricted to specific programs….	1,058,628				1,058,628
Unrestricted investment earnings (loss)	89,611	64,134	(12,693)	1,324	142,376
Changes to permanent endowments	(1,367)				(1,367)
Total general revenues, additions and deductions to permanent endowments	1,146,872	64,134	(12,693)	1,324	1,199,637
Changes in net assets	385,634	54,677	(27,713)	6,729	419,327
Net assets - beginning of the year, as restated	5,271,913	(49,517)	165,880	78,886	5,467,162
Net assets - end of the year	$5,657,547	$ 5,160	$138,167	$ 85,615	$5,886,489

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Index for Notes to the Financial Statements

For the Year Ended June 30, 2010

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, Federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14 as amended by GASB Statement No. 39.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) - The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor.

The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Workers' Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2010, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling $22,155,000. The Maryland Industrial Development Financing Authority (MIDFA) provides insurance as a credit enhancement for transactions of MEDCO. As of June 30, 2010 the insurance outstanding on MEDCO's transactions insured by MIDFA, other component unit, was $387,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants

who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows.

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

2. The Unemployment Insurance Program reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.

3. The Maryland State Lottery Agency operates the State Lottery.

4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions, assets, liabilities and net assets of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

2. The Investment Trust Fund reflects the transactions, assets, liabilities and net assets of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.

3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions, assets, liabilities and net assets are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.

4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employees' payroll.

D. Change in Accounting Principles and Restatement of Beginning Balances

As of June 30, 2009, the State reported derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals, whereas the changes in fair value of investment derivative instruments are reported as investment revenue in the current reporting period. Accordingly, the beginning net assets for the Economic Development Loan Programs, an enterprise fund, and the Maryland Stadium Authority, a component unit, are restated as follows (amounts expressed in thousands).

	Economic Development Loan Programs	Maryland Stadium Authority
Beginning net assets, as previously reported	$2,217,077	$193,411
Recognition of changes in fair value of derivatives as deferrals	(15,306)	(27,531)
Beginning net assets, as restated	$2,201,771	$165,880

E. New Pronouncements:

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in March 2009, effective for financial statements for periods beginning after June 15, 2010. The State has early implemented this statement. In addition, the GASB issued Statement No. 59, *Financial Instruments Omnibus,* in June 2010, effective for financial statements for periods beginning after June 15, 2010, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, in December 2009, effective for financial statements for periods beginning after June 15, 2011. The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the State.

2. Significant Accounting Policies - Assets, Liabilities and Net Assets or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempted from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in Municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of $1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity - direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plans are valued at cost plus interest credited which approximates fair value for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than $50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-50
Building improvements	5-50
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances

are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

Net Assets:

Net assets are divided into three categories. Net assets invested in capital assets net of related debt is the capital assets less accumulated depreciation and outstanding principal of the related debt. Restricted net assets reflect restrictions on assets imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net assets are total net assets of the State less net assets invested in capital assets net of related debt and restricted net assets. Unrestricted net assets are comprised mainly of cash, investments, loans and receivables.

B. Governmental Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2010 was 11.2 ¢ per $100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. Nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Spendable fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. Committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. Assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For both the government-wide business-type activities and the enterprise fund financial statements, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 50 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Lottery Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2010, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net assets:	
Cash and cash equivalents	$ 422,056
Equity in pooled invested cash	3,690,482
Investments	2,235,025
Collateral for lent securities	247,824
Restricted cash and cash equivalents	1,532,101
Restricted equity in pooled invested cash	105,315
Restricted investments	1,309,523
Statement of fiduciary net assets:	
Cash and cash equivalents	1,777,582
Equity in pooled invested cash	465,762
Investments	35,523,302
Collateral for lent securities	4,630,233
Total cash and cash equivalents and investments per basic financial statements	51,939,205
Less: Cash and cash equivalents and investments of higher education foundations not subject to disclosure	864,234
Total cash and cash equivalents and investments per Note 3	$51,074,971

Note 3 of the financial statements:	
Cash deposits:	
Governmental funds	$ 247,275
Enterprise funds	519,794
Fiduciary funds	266,610
Component units	90,625
Investments:	
Governmental funds	4,793,812
Enterprise funds	2,590,180
Fiduciary funds	41,664,505
Component units	902,170
Total cash deposits and investments	$51,074,971

Cash and cash equivalents for financial statement presentation include short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. *Cash Deposits:*

As of June 30, 2010, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were $247,275,000, $519,794,000, $266,610,000 and $90,625,000, respectively. The bank balances were $247,275,000, $530,956,000, $266,610,000, and $94,471,000, respectively.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is

interest bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs, Higher Education component unit, and Maryland Stadium Authority do not have a deposit policy for custodial credit risk. As of June 30, 2010, $37,000, $21,271,000, and $73,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2010, $12,863,000, of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2010, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 - 3	More than 3
U.S. agencies (a)	$ 2,814,275			$2,814,275 (b)
Repurchase agreements	1,510,903	$1,498,082		12,821
Local Government Investment Pool	220,810	220,810		
Total investments	4,545,988	1,718,892		2,827,096
Collateral for lent securities	247,824	247,824		
Total investments and collateral for lent securities	$4,793,812	$1,966,716	$ –	$2,827,096

(a) Investments held by broker dealers under securities lending program are $177,917,000.
(b) Bonds in the amount of $2,145,820,000, mature February 2014 to June 2015, but are callable July 2010 to June 2012.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were $12,821,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AAA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation, and the Federal Home Loan Bank. These investments are 56.0%, 17.0%, 12.8%, and 8.6% of the governmental funds' total investments, respectively.

2. *Investments - Enterprise Funds:*

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2010, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 - 5	6-10	11-15	More than 15
U.S. Treasury obligations	$ 470,792	$ 15,416	$ 547	$6,077	$4,284	$444,468
U.S. Government agency obligations	894,275	488,040	397,484	2,484		6,267
Repurchase agreements	35,547	17,397				18,150
Guaranteed investment contracts	20,677			20,677		
Money market mutual funds	1,002,456	1,002,456				
Total	$2,423,747	$1,523,309	$398,031	$29,238	$4,284	$468,885

In addition to the investments scheduled above, as of June 30, 2010, the enterprise funds' investments also include the fair value of direct equity investments, $52,752,000.

The State Lottery Agency, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the Lottery. At June 30, 2010, the fair value of these investments was $113,334,000 and $347,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were $64,771,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2010, was Aa by Moody's and AA by Fitch.

As of June 30, 2010, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations	$ 894,275	AAA/Aaa	S&P/Moody's	34.53%
Money market mutual funds	1,002,456	AAAm/Aaa	S&P/Moody's	38.70
Repurchase agreements-underlying securities	35,547	AAA/Aaa	S&P/Moody's	1.37
Total	$1,932,278			74.60%

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation. These investments are 13.8% and 9.8% of the enterprise funds' total investments.

3. Investments - Fiduciary Funds:

The Pension and OPEB Trust Funds are authorized to make investments as stated in footnote 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2010, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than10
U.S. Treasury notes and bonds	$ 3,195,166	$ 484,956	$ 1,091,696	$ 856,867	$ 761,647
U.S. Treasury strips	16,426			2,444	13,982
U.S. Government agency obligations	1,758,141	1,529,916	141,117	74,960	12,148
Repurchase agreements	433,016	433,016			
Commercial paper	238,113	238,113			
Guaranteed investment contracts (a)	744,568		744,568		
Corporate bonds	1,683,423	102,065	688,560	617,874	274,924
International bonds	896,864	110,282	264,213	243,533	278,836
Other government bonds	439,593	14,627	205,527	104,960	114,479
Mortgage-backed securities	1,688,588	17,445	12,400	81,571	1,577,172
Asset-backed securities	212,709	975	74,407	34,485	102,842
Bond mutual funds	478,464	25,126	318,913	134,425	
Swaps	3,264	8,625	(1,106)	(1,433)	(2,822)
Alternative investments	1,061,648	410,963	195,255	455,430	
Money market mutual funds	1,665,571	1,665,571			
Total investments	14,515,554	5,041,680	3,735,550	2,605,116	3,133,208
Collateral for lent securities	4,630,233	4,630,233			
Total investments and collateral for lent securities	$19,145,787	$9,671,913	$3,735,550	$2,605,116	$3,133,208

(a) These investments are stated at contract value at December 31, 2009. The fair value as of December 31, 2009, was $736,258,000, and the wrapper value was $2,302,000.

In addition to the investments scheduled above, as of June 30, 2010, the fiduciary funds' investments also include the fair value of stock mutual funds, $2,546,470,000, corporate equity securities, $15,430,583,000, private equity, $1,585,865,000, real estate, $1,229,987,000, annuity contracts, $112,712,000, insurance contracts, $3,952,000, and other investments, $1,609,149,000.

Interest Rate Risk. At June 30, 2010, the System had $1.2 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2010, the fair value of these investments was $112,712,000 and $3,952,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper rated only Tier 1 by at least one nationally recognized securities rating organization. As of June 30, 2010, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations…….	$1,750,611	AAA	4.73%
U.S. Government agency obligations…….	684	AA	0.00%
U.S. Government agency obligations…….	684	A	0.00%
U.S. Government agency obligations…….	1,711	BAA	0.00%
U.S. Government agency obligations…….	4,449	Unrated	0.01%
Repurchase agreements-underlying securities…	433,016	AAA	1.17%
Money market mutual funds……	198,125	AAA	0.53%
Money market mutual funds……	12,128	AA	0.03%
Money market mutual funds…….	1,403,935	A	3.79%
Money market mutual funds…….	51,383	Unrated	0.14%
Commercial paper……..	238,113	AAA	0.64%
Guaranteed investment contracts……	739,973	AA	2.00%
Guaranteed investment contracts…..……...	4,595	Unrated	0.01%
Corporate bonds…….	224,199	AAA	0.61%
Corporate bonds…….	115,826	AA	0.31%
Corporate bonds…….	459,620	A	1.24%
Corporate bonds…….	60,122	BAA	0.16%
Corporate bonds…….	7,050	BA	0.02%
Corporate bonds…….	479,461	BBB	1.29%
Corporate bonds…….	104,061	BB	0.28%
Corporate bonds…….	121,642	B	0.33%
Corporate bonds…….	19,188	CAA	0.05%
Corporate bonds…….	647	CA	0.00%
Corporate bonds…….	21,784	CCC	0.06%
Corporate bonds…….	320	CC	0.00%
Corporate bonds…….	959	C	0.00%
Corporate bonds…….	967	D	0.00%
Corporate bonds…….	67,176	Unrated	0.18%
International bonds…….	620,239	AAA	1.67%
International bonds…….	90,392	AA	0.24%

International bonds…….	100,969	A	0.27%
International bonds…….	1,603	BAA	0.00%
International bonds…….	2,885	BA	0.01%
International bonds…….	10,578	BBB	0.03%
International bonds…….	5,770	BB	0.02%
International bonds…….	6,090	B	0.02%
International bonds…….	962	CCC	0.00%
International bonds…….	57,376	Unrated	0.15%
Other government bonds……	97,202	AAA	0.26%
Other government bonds……	70,647	AA	0.19%
Other government bonds……	153,503	A	0.41%
Other government bonds……	21,023	BAA	0.06%
Other government bonds……	75,865	BBB	0.20%
Other government bonds……	3,188	BB	0.01%
Other government bonds……	7,650	B	0.02%
Other government bonds……	319	CCC	0.00%
Other government bonds……	319	C	0.00%
Other government bonds……	9,877	Unrated	0.03%
Mortgage-backed securities……..	1,404,156	AAA	3.79%
Mortgage-backed securities……..	21,795	AA	0.06%
Mortgage-backed securities……..	58,024	A	0.16%
Mortgage-backed securities……..	11,859	BAA	0.03%
Mortgage-backed securities……..	4,167	BA	0.01%
Mortgage-backed securities……..	11,538	BBB	0.03%
Mortgage-backed securities……..	5,449	BB	0.01%
Mortgage-backed securities……..	19,556	B	0.05%
Mortgage-backed securities……..	14,743	CAA	0.04%
Mortgage-backed securities……..	60,577	CCC	0.16%
Mortgage-backed securities……..	18,270	CC	0.05%
Mortgage-backed securities……..	4,807	D	0.01%
Mortgage-backed securities……..	53,647	Not rated	0.14%
Asset-backed securities-other……..	111,632	AAA	0.30%
Asset-backed securities-other……..	4,798	AA	0.01%
Asset-backed securities-other……..	11,515	A	0.03%
Asset-backed securities-other……..	640	BAA	0.00%
Asset-backed securities-other……..	320	BA	0.00%
Asset-backed securities-other……..	19,832	BBB	0.05%
Asset-backed securities-other……..	18,872	BB	0.05%
Asset-backed securities-other……..	15,993	B	0.04%
Asset-backed securities-other……..	320	CAA	0.00%
Asset-backed securities-other……..	13,434	CCC	0.04%
Asset-backed securities-other……..	1,919	CC	0.01%
Asset-backed securities-other……..	2,559	D	0.01%
Asset-backed securities-other……..	10,875	Not rated	0.03%
Bond mutual funds……..	478,464	Not rated	1.29%
Swaps…….....	3,264	Not rated	0.01%
Total……..	$ 10,241,911		27.66%

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities, which the System's asset allocation policy limits to 15%. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2010, is as follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Mutual Funds	Total
Australian dollar	$405,826	$ 58,032	$ 3,076			$ 466,934
Brazilian real	59,409	119	2,122			61,650
Canadian dollar	465,401	50,506	2,082			517,989
Czech koruna	5,661		91			5,752
Danish krone	75,801	694	388			76,883
Egyptian pound	1,093					1,093
Euro currency	1,776,002	520,249	14,783	$253,380		2,564,414
Hong Kong dollar	577,502	815	2,515			580,832
Hungarian forint	1,005		2			1,007
Indonesian rupish	21,115		19			21,134
Israeli shekel	21,761		125			21,886
Japanese yen	1,272,499	60,308	10,671			1,343,478
Malaysian ringgit	22,827		46			22,873
Mexican peso	32,462		40			32,502
New Taiwan dollar	733		10,622			11,355
New Turkish lira	25,993					25,993
New Zealand dollar	3,916		45			3,961
Norwegian krone	56,656		374			57,030
Philippine peso	3,401		32			3,433
Polish zloty	7,257	18,630	3			25,890
Pound sterling	1,222,340	185,481	5,960	79,886		1,493,667
Singapore dollar	143,418		561			143,979
South African rand	42,169		219			42,388
South Korean won	144,753		169			144,922
Swedish krona	167,829	23,922	475			192,226
Swiss franc	491,021	95	617			491,733
Thailand baht	20,283		8			20,291
Turkish lira	41,955		182			42,137
Yuan renminbi		194				194
Multiple		558		123,204	$462,514	586,276
Total	$7,110,088	$919,603	$55,227	$456,470	$462,514	$9,003,902

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands).

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount(1)	Classification	Amount (2)	Notional*
Commodity futures long	Investment revenue	$ (8,159)	Futures	$ (12,041)	$ 66,678
Commodity futures short	Investment revenue	3,093	Futures	3,096	6
Credit default swaps bought	Investment revenue	(1,705)	Swaps	(259)	4,351
Credit default swaps written	Investment revenue	15,693	Swaps	(5,060)	109,200
Fixed income futures long	Investment revenue	51,539	Futures	16,570	625,250
Fixed income futures short	Investment revenue	(20,970)	Futures	(8,363)	(713,150)
Fixed income options bought	Investment revenue	30	Options		
Fixed income options written	Investment revenue	3,064	Options	(1,905)	(277,300)
Foreign currency options bought	Investment revenue	(105)	Options	93	193
Foreign currency options written	Investment revenue	683	Options	(2)	(1,500)
Futures options bought	Investment revenue	(1,134)	Options	328	3,969
Futures options written	Investment revenue	3,141	Options	(325)	(1,784)
FX forwards	Investment revenue	129,042	Long term instruments	70,623	
Index futures long	Investment revenue	7,069	Futures	(1,079)	256
Index futures short	Investment revenue	(3,245)	Futures		
Interest rate swaps	Investment revenue	366	Swaps		
Pay fixed interest rate swaps	Investment revenue	(3,590)	Swaps	(2,157)	42,062
Receive fixed interest rate swaps	Investment revenue	5,606	Swaps	2,120	2,566,000
Rights	Investment revenue	2,904	Common stock	537	2,497
TBA transactions long	Investment revenue	13,290	Long term instruments	1,374	216,973
TBA transactions short	Investment revenue	(827)	Long term instruments	(496)	(41,495)
Total return swaps bond	Investment revenue	(122)	Swaps		
Warrants	Investment revenue	139	Common stock	4,020	1,435
Totals		$195,802		$ 67,074	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.

Credit Risk. The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2010 was $683,501,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands).

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
$411,103	AA	$ 31,445	Aaa	$515,481	AA
272,398	A	645,097	Aa	168,020	A
		6,959	A		
$683,501		$683,501		$683,501	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
UBS AG London	23%	A	A	Aa
Barclays Bank Plc Wholesale	15%	AA	AA	Aa
Royal Bank of Scotland Plc	14%	A	AA	Aa
HSBC Bank Plc	10%	AA	AA	Aa
JP Morgan Chase Bank	10%	AA	AA	Aa
BNP Paribas SA	9%	AA	AA	Aa
Westpac Banking Corporation	9%	AA	AA	Aa
Royal Bank of Canada (UK)	4%	AA	AA	Aaa
Northern Trust Co. London	2%	AA	AA	Aa
Toronto Dominion Bank	1%	AA	AA	Aaa
Morgan Stanley & Co. International Plc	1%	A	A	A
UBS AG	1%	A	A	Aa
Deutsche Bank AG London	1%	A	AA	Aa

4. *Investments - Component Units:*

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow the statements of GASB.

In July 2005, one of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2010, for the component units are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations	$ 35,315	$ 827	$ 18,322	$10,428		$ 5,738
U.S. Government agency obligations	148,487	41,516	54,495	3,746	$3,577	45,153
Bond mutual funds	11,034	11,034				
Corporate debt securities	88,570	5,283	31,214	15,660	677	35,736
Municipal bonds	4,456		341	658	418	3,039
Money market mutual funds	118,596	118,596				
Total	$406,458	$177,256	$104,372	$30,492	$4,672	$89,666

In addition to the investments scheduled above, as of June 30, 2010, the component units' investments include the fair value of stock mutual funds, $184,662,000, corporate equity securities, $104,784,000, real estate, $29,059,000, and the share of assets invested with the foundation, $177,207,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

Credit Risk. The policies of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust requires the average rating in each portfolio to be "AA" or better. The trust indenture for each bond issuance by the Maryland Stadium Authority requires money market investments to be rated in the highest category by two nationally recognized securities rating organizations.

As of June 30, 2010, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Rating	Rating Organization	Percentage of Total Investments
U.S. agencies	$ 3,070	AAA/Aaa	S&P & Moody's	0.34%
U.S. agencies	145,417	Not rated		16.13%
Money market mutual funds	97,365	Aaa	Moody's	10.80%
Money market mutual funds	21,231	Not rated		2.35%
Bond mutual funds	11,034	Not rated		1.22%
Corporate debt securities	10,545	AAA/Aaa	S&P & Moody's	1.17%
Corporate debt securities	12,868	AA/Aa	S&P & Moody's	1.43%
Corporate debt securities	19,333	A	S&P & Moody's	2.14%
Corporate debt securities	33,419	Less than A	Moody's	3.70%
Corporate debt securities	118	BBB	S&P & Moody's	0.01%
Corporate debt securities	12,287	Not rated		1.36%
Municipal bonds	4,456	Aaa	Moody's	0.49%
Total	$371,143			41.14%

Concentration of Credit Risk. The component units place no limit on the amount they may invest in U.S. Government issuers.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2010, the Plan has $1,851,223,000 of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland State Lottery Agency and are included in the preceding Investments Note 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2010, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Securities-General fund	$ 177,917	$ 182,000	102.3%
Securities-Lottery Agency	64,771	65,824	101.6
Total	$ 242,688	$ 247,824	102.1%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2010.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes (1) securities lent at year-end for cash collateral; (2) securities lent for securities collateral; and (3) investments purchased with cash collateral.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2010, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

Securities Lent	Fair Value	Cash Collateral Received or Non-Cash Collateral Value	Percent Collateralized
Lent for cash collateral:			
Fixed income securities	$ 2,331,720	$ 2,383,436	102.3%
Domestic equities	1,680,536	1,734,086	103.2
International equities	484,724	512,711	105.8
Subtotal	4,496,980	4,630,233	
Lent for noncash collateral:			
Fixed income securities	25,890	26,146	101.0
Domestic equities	11,956	16,458	137.7
International equities	3,542		
Total securities lent	$ 4,538,368	$ 4,672,837	103.0%

During fiscal year 2010, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2010, had a weighted average maturity of 33 days and an average expected maturity of 73 days. Because the relationship between the maturities of the investment pools and the Funds' security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults.

4. Receivables:

Taxes receivable, as of June 30, 2010, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds			Total
	General	Special Revenue	Non-Major Governmental Funds	Governmental Funds
Income taxes	$ 550,918			$ 550,918
Sales and use taxes	389,252			389,252
Transportation taxes, principally motor vehicle fuel and excise		$73,281		73,281
Other taxes, principally alcohol and property	40,736		$ 26,329	67,065
Less: Allowance for uncollectibles	42,260			42,260
Taxes receivable, net	$ 938,646	$ 73,281	$ 26,329	$1,038,256

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period are $5,469,000.

Other accounts receivable in the governmental funds of $526,031,000, including $70,658,000 due in excess of one year, consist of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments.

Other accounts receivable for the enterprise funds of $386,298,000, primarily consist of $220,647,000 due to the Maryland Unemployment Program from employers and for benefit overpayments, and $29,245,000, due to the Maryland State Lottery Agency for lottery ticket sale proceeds.

5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2010, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	$217,688		$217,688
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	208,607		208,607
Other receivables for revenues not considered available to liquidate liabilities of the current period (special revenue fund)	50,254		50,254
Other receivables for revenues not considered available to liquidate liabilities of the current period (other governmental funds)	47		47
Receipts that have been received, but not earned (general fund)		$375,984	375,984
Revenue in connection with resources that have been received, but not earned (special revenue fund)		16,462	16,462
Revenue in connection with resources that have been received, but not earned (enterprise funds)		19,794	19,794
Total deferred/unearned revenue for governmental funds and enterprise funds	$476,596	$412,240	$888,836

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2010, consisted of the following (amounts expressed in thousands).

	Primary Government				Component Units		
	General	Special Revenue Department of Transportation	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:							
Political subdivisions:							
Water quality projects			$ 2,887	$ 847,484			
Public school construction			351				
Other		$ 1,466	18				
Volunteer fire & rescue companies	$ 8,275						
Permanent mortgage loans				3,042,242			
Student and health profession loans					$78,495		
Shore erosion loans	6,369						
Other	257				5,224	$ 4,470	$674
Total	14,901	1,466	3,256	3,889,726	83,719	4,470	674
Less: Allowance for possible loan losses				270,074	13,865		34
Loans and notes receivable, net	14,901	1,466	3,256	3,619,652	69,854	4,470	640
Due within one year	2,074	300	551	130,022	8,186	401	79
Due in more than one year	$12,827	$ 1,166	$ 2,705	$3,489,630	$61,668	$ 4,069	$ 561

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 23 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2010, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of the direct financing leases as of June 30, 2010, was $398,906,000. As of June 30, 2010, the Authority held $48,589,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following amounts (expressed in thousands).

2011	$ 25,024
2012	26,189
2013	27,294
2014	28,484
2015	18,119
2016-2020	98,236
2021-2025	110,500
2026-2030	81,175
2031-2035	28,040
Total	443,061
Unearned interest income	4,434
Total lease payments	447,495
Restricted investments related to unexpended bond proceeds	48,589
Net investments in direct financing leases	$398,906

Component Units:

As of June 30, 2010, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2010, is $228,628,000. As of June 30, 2010, the Authority held $7,857,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following amounts (expressed in thousands).

2011	$ 31,652
2012	31,822
2013	31,835
2014	31,924
2015	30,688
2016-2020	123,584
2021-2025	47,290
2026-2030	6,432
Total	335,227
Less: Unearned interest income	98,742
Total lease payments	236,485
Restricted investments related to unexpended bond proceeds	7,857
Net investments in direct financing leases	$228,628

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Assets. The purpose and amount of restricted assets as of June 30, 2010, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
$ 27,437	Represents money restricted for completion of transportation construction projects maintained in a trust account per Certificates of Participation agreements
1,126	Represents investments restricted for debt service payments according to bond agreements
147,813	Represents State property taxes restricted to pay debt service on general obligation debt
2,929	Represents certificates of deposit linked to funds loaned under the State's housing loan program
$179,305	
Business-type Activities:	
$3,718,470	Assets of the Community Development Administration and the State Funded Loan Programs are restricted for various mortgage loans for low-income housing and local governments' public facilities
668,917	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
677,635	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
145,426	This cash is held in separate annuity contracts and coupon bonds in the Maryland State Lottery Agency for winning lottery ticket payouts and escrow deposits from video lottery terminal license applicants
787,467	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
$5,997,915	
Component Units:	
$ 160,095	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes
21,358	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures and master equipment lease financing agreements
14,861	Restricted assets include investments that relate to revenue bond indentures and to restricted project advances for the provision of water supply and waste-water treatment by the Maryland Environmental Service
$ 196,314	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2010, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount	
General Fund	Non-major governmental funds	$ 54,830	(b)
	Enterprise Funds -		
	Economic Development Loan Programs	2,011	(c)
	Maryland State Lottery Agency	39,026	(a)
		$95,867	
Special Revenue Fund	General Fund	$ 91,075	(d)
	Enterprise Funds -		
	Maryland Transportation Authority	33,955	(e)
		$125,030	
Non-major governmental funds	General Fund	$ 2,425	(f)
Enterprise Funds –			
Economic Development Loan Programs	General Fund	$ 20,985	(h)
Unemployment Insurance Program	General Fund	2,967	(h)
Maryland Transportation Authority	Special Revenue Fund	12,889	(g)
		$ 36,841	
Agency Fund –			
Local Income Taxes	General Fund	$ 350,000	(i)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2010, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	$ 702
Component Units -		
Maryland Stadium Authority	General Fund	$3,764

(a) The amounts represent monies collected by the Maryland State Lottery in June, 2010, and paid to the general fund in July, 2010.
(b) This amount represents an overdraft in the non-major governmental funds' share of pooled invested cash.
(c) The amount represents short term advances from the general fund for principal and interest payments.
(d) The amount represents income tax subsidies and return of health insurance costs from the general fund.
(e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
(f) The amount represents monies collected by the general fund in June, 2010, and paid to the non-major governmental funds in July, 2010.
(g) The Maryland Transportation Authority receives rent, interest income and fees for services form the special revenue fund.

(h) These amounts represent receivable balances from general fund subsidies.

(i) The loan was made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education. According to the same law, an additional loan from this Agency Fund (reserve) of $200,000,000 to the General Fund, is required to be made in fiscal year 2011 to assist in funding the Maryland Medicaid Program.

All interfund balances except for (i) above, are expected to be repaid by June 30, 2011. For (i) above, the General Fund is required to pay $50,000,000 a year in each of fiscal years 2014 through 2020 to the Agency Fund for the $350,000,000 loan and $33,333,000 a year in each of fiscal years 2021 through 2026 for the $200,000,000 loan.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2010, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	$ 398,284
	Non-major Governmental Funds	192,913
	Enterprise Funds -	
	Maryland State Lottery Agency	510,609
	Economic Development Loan Programs	168,666
	Non-major Enterprise Funds	6,230
		$1,276,702
Special Revenue Fund	General Fund	$ 376,856
Non-major Governmental Funds	General Fund	$ 96,454
	Special Revenue Fund	145,037
		$ 241,491
Enterprise Funds -		
Loan Programs	General Fund	$ 36,934
	Non-major Governmental Funds	3,777
Maryland Transportation Authority	Special Revenue Fund	30,000
		$ 70,711

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred $185,835,000 of Program Open Space funds, $185,000 of interest earned on bonds, $981,000 for expenses for bond sales, $87,000 return of funds for rescinded pay-as-you-go capital projects, and $5,825,000 of Shore Erosion loan repayments to the general fund.

The Maryland State Lottery transferred revenue in excess of funds allocated to prize awards, operating expenses and capital expenditure payments in the amount of $510,609,000, to the general fund. The general fund transferred $36,934,000 to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred $168,666,000 of unused funds to the general fund. The special revenue fund also transferred $30,000,000 to the Enterprise Fund – Maryland Transportation Authority for design, planning and land purchases for the Inter-County Connector Project. Expenditures for capital projects of $3,777,000 were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of $1,642,836,000, and $264,178,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education

component units. The general fund also had net expenditures of $19,537,000 that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred $15,743,000 to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2010, was as follows (amounts expressed in thousands).

Governmental activities:

Classification	Balance June 30, 2009	Additions	Deletions	Transfers In/Out*	Balance June 30, 2010
Capital assets, not being depreciated,					
Land and improvements	$ 2,995,299	$ 91,737	$ 1,209	$ (4,801)	$ 3,081,026
Art and historical treasures	27,795	55	18,480		9,370
Construction in progress	3,455,727	722,380	48,861	(1,780,335)	2,348,911
Total capital assets, not being depreciated	6,478,821	814,172	68,550	(1,785,136)	5,439,307
Capital assets, being depreciated,					
Structures and improvements	5,843,377	162,655	12,824	188,684	6,181,892
Equipment	2,546,277	87,523	167,502	153,688	2,619,986
Infrastructure	16,905,796	524,594	11,812	1,028,994	18,447,572
Total capital assets, being depreciated	25,295,450	774,772	192,138	1,371,366	27,249,450
Less accumulated depreciation for,					
Structures and improvements	2,302,540	182,577	3,102		2,482,015
Equipment	1,758,132	152,895	93,556		1,817,471
Infrastructure	8,448,357	690,617	1,848		9,137,126
Total accumulated depreciation	12,509,029	1,026,089	98,506		13,436,612
Total capital assets, net	$ 19,265,242	$ 562,855	$ 162,182	$ (413,770)	$ 19,252,145

Business-type activities:

Classification	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated,				
Land and improvements	$ 395,850	$ 17,763	$ 8,741	$ 404,872
Construction in progress	1,381,193	797,665	1,870	2,176,988
Total capital assets, not being depreciated	1,777,043	815,428	10,611	2,581,860
Capital assets, being depreciated,				
Structures and improvements	45,890	150	240	45,800
Equipment	85,522	6,641	31,235	60,928
Infrastructure	2,544,235	1,648	145,323	2,400,560
Total capital assets, being depreciated	2,675,647	8,439	176,798	2,507,288
Less accumulated depreciation for,				
Structures and improvements	21,393	980	163	22,210
Equipment	55,943	6,520	31,263	31,200
Infrastructure	1,168,574	45,691	72,661	1,141,604
Total accumulated depreciation	1,245,910	53,191	104,087	1,195,014
Total capital assets, net	$3,206,780	$770,676	$83,322	$3,894,134

*A large decrease for transfers from the State Highway Administration (SHA) to an agency outside the State was made via an ownership agreement with the State of Virginia (VDOT) for half ownership of the completed Woodrow Wilson Bridge project in the amount of $413,770,000. These assets were transfered from SHA to VDOT for the year ended June 30, 2010.

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2010, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government	$ 37,248
Education	5,374
Human resources	10,936
Health and mental hygiene	8,588
Environment	514
Public safety	51,547
Housing and community development	113
Natural resources and recreation	16,643
Transportation	878,817
Agriculture	13,729
Labor, licensing and regulation	607
Judicial	1,973
Total depreciation expense – governmental activities	$1,026,089

Business-type activities:

Function	Amount
State Lottery	$ 1,308
Transportation Authority	50,414
Maryland Correctional Enterprises	1,450
Economic Development Loan Programs	19
Total depreciation expense - business type activities	$ 53,191

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long-term debt, for the year ended June 30, 2010, are as follows (amounts expressed in thousands).

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and notes payable:					
General obligation bonds	$ 5,873,643	$1,938,963	$1,289,384	$ 6,523,222	$515,094
Transportation bonds	1,582,605	140,000	77,595	1,645,010	83,170
Deferred amounts:					
Issuance premiums	474,565	196,954	55,777	615,742	
On refunding	(37,402)	(117,555)	(14,381)	(140,576)	
Total bonds and notes payable	7,893,411	2,158,362	1,408,375	8,643,398	598,264
Other liabilities:					
Compensated absences	307,882	176,926	160,805	324,003	163,771
Self insurance costs	319,378	1,137,742	1,123,179	333,941	121,666
Net pension obligation	1,016,617	221,430	11,610	1,226,437	
Net other post employment benefits obligation	1,478,130	951,972		2,430,102	
Obligations under capital leases	848,208	15,073	65,080	798,201	59,821
Obligations under capital leases with component units	250,407	399	18,044	232,762	19,417
Pollution remediation	179,972	3,563	14,118	169,417	550
Total other liabilities	4,400,594	2,507,105	1,392,836	5,514,863	365,225
Total long-term liabilities-governmental activities	$12,294,005	$4,665,467	$2,801,211	$14,158,261	$963,489

General Obligation Bonds -

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a "cash flow" basis rather than a "project" basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2010. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2010, the State issued $1,938,963,000 of general obligations at a premium of $196,323,000 with related issuance costs of $9,282,000.

Included in bond issuances were $798,080,000 to refund certain outstanding general obligation bonds issued between 2004 and 2009. From the refunding bonds and related premium of $130,455,000, $924,185,000 was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal, call premium, and interest

related to the refunded bonds. The interest rates on the refunded bonds range from 4.3% to 5.0%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $35,134,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $33,527,000.

Refunded bonds of $899,710,000 maturing in fiscal years 2012-2023 and callable in fiscal years 2011-2017 were considered defeased as of June 30, 2010. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2010, are as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
8/3/00	2004-2016	5.1-5.8%	$ 15,900	$ 200,000	$ 15,900
3/8/01	2004-2016	4.0-5.5	15,900-20,535	200,000	108,830
7/26/01	2005-2017	5.0-5.5	15,130-20,285	200,000	123,200
11/21/01	2016	0(b)	18,098	18,098	18,098
3/21/02(a)	2003-2017	4.0-5.5	15,180-19,765	309,935	121,715
8/15/02(a)	2003-2018	3.0-5.5	16,000-23,055	515,830	153,930
3/6/03	2006-2018	5.0-5.3	35,920-49,830	500,000	339,210
8/5/03	2007-2019	5.0	34,060-41,605	500,000	188,695
8/10/04	2008-2020	5.0	26,025-33,420	400,000	177,590
10/21/04(a)	2005-2016	5.0	18,495-108,620	574,655	274,200
11/30/04	2020	0(b)	9,043	9,043	9,043
3/17/05(a)	2006-2020	4.0-5.3	29,195-105,235	631,185	440,295
8/11/05	2009-2021	4.3-5.0	30,565-43,820	450,000	313,155
3/23/06	2009-2021	4.0-5.0	20,060-27,955	300,000	234,615
8/10/06	2010-2022	4.3-5.0	21,160-34,870	350,000	264,300
12/20/06	2022	0(b)	4,378	4,378	4,378
3/15/07	2010-2022	5.0	19,445-28,455	325,000	214,135
8/16/07	2011-2023	5.0	21,000-38,265	375,000	375,000
12/18/07	2023	0(b)	4,986	4,986	4,986
3/12/08	2011-2023	4.0-5.0	22,585-40,555	400,000	331,600
7/28/08	2012-2024	5.0	24,365-41,705	415,000	415,000
12/16/08	2010-2021	1.6(b)	464	5,563	5,099
3/16/09(a)	2011-2024	2.0-5.0	22,620-61,690	490,800	451,285
8/18/09	2013-2025	2.0-5.3(c)	29,070-50,000	485,000	485,000
11/3/09	2013-2025	4.5-5.0(c)	11,205-20,400	200,000	200,000
12/16/09	2025	0(d)	50,320	50,320	50,320
12/17/09	2011-2025	1.6(b)	371	5,563	5,563
12/18/09(a)	2016-2021	2.0-5.0	29,560-178,775	602,765	602,765
3/9/10(c)	2019-2025	4.0-4.6	52,450-62,170	400,000	400,000
3/9/10(a)(b)	2018-2023	3.0-5.0	2,330-60,600	195,315	195,315
				$9,118,436	$6,523,222

(a) Includes refunding debt
(b) Qualified Zone Academy Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding
(c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal government equal to 35% of interest payments
(d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

General obligation bonds authorized, but unissued, as of June 30, 2010, total $2,394,985,000.

As of June 30, 2010, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2011	$ 515,094	$ 304,968
2012	542,179	278,952
2013	564,299	250,866
2014	529,389	222,808
2015	506,374	196,748
2016-2020	2,459,889	612,117
2021-2025	1,405,998	139,354
Total	$6,523,222	$2,005,813

Subsequent to June 30, 2010, on August 10, 2010, general obligation bonds aggregating $485,175,000 were issued for capital improvements. Serial bonds in the amount of $440,000,000 with interest rates ranging from 2.0% to 5.0% mature through 2026. Term bonds in the amount of $45,175,000 with an average interest rate of 4.4% mature in 2026.

Of these bonds, $120,175,000 were issued as federally taxable bonds. Bonds in the amount of $75,000,000 are Build America Bonds under the American Recovery and Reinvestment Act of 2009 (ARRA). For these bonds, the State receives a subsidy payment from the Federal government equal to 35% of interest payments. Bonds in the amount of $45,175,000 are Qualified School Construction Bonds under ARRA. For these bonds, the State receives a subsidy payment from the Federal government equal to 100% of interest payments.

Transportation Bonds -

Transportation bonds outstanding as of June 30, 2010, are as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 3.0% to 5.5%, due serially through 2024 for State transportation activity	$1,593,655
Consolidated Transportation Bonds, Refunding – 5.0%, due serially through 2014 for State transportation activity	51,355
Total	$1,645,010

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed $2,600,000,000 through June 30, 2010, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2010, was $1,830,010,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2010, was $1,645,010,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal

at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2009 session of the General Assembly established a maximum outstanding principal amount of $661,800,000 as of June 30, 2010, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2010, the Department's nontraditional debt outstanding was $674,740,000 and is reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2010.

During fiscal year 2010, the Department issued $140,000,000 of Consolidated Transportation Bonds at a premium of $631,000, with maturities ranging from June 15, 2013, to June 15, 2025, with interest rates ranging from 2.0% to 4.7%. Of these bonds, $126,000,000 were issued as federally taxable bonds (Build America Bonds).

As of June 30, 2010, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds Principal	Interest
2011	$ 83,170	$ 75,492
2012	102,845	71,672
2013	109,340	66,908
2014	130,620	61,480
2015	147,280	55,421
2016-2020	696,000	168,717
2021-2025	375,755	40,047
Total	$1,645,010	$539,737

Obligations Under Capital Leases -

Obligations under capital leases as of June 30, 2010, bore interest at annual rates ranging from .9% to 6.7%. Capital lease obligations with third parties in fiscal year 2010 increased by $15,073,000 for master equipment and building leases entered into by the general fund and include leases for various transportation related projects entered into by the Maryland Department of Transportation. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games, and with other non-major component units. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2010 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with Third Parties	Capital Lease Obligations with Component Units
2011	$ 99,343	$ 34,046
2012	95,167	33,209
2013	88,044	32,958
2014	84,835	33,059
2015	69,324	31,312
2016-2020	322,492	124,252
2021-2025	278,425	47,290
2026-2030	175,640	6,432
2031-2035	29,379	
Total future minimum payments	1,242,649	342,558
Less: Amount representing interest	410,960	99,557
Less: Restricted cash and investments	33,488	10,239
Present value of net minimum payments.	$ 798,201	$ 232,762

The reduction shown for restricted cash and investments in the amounts of $33,488,000 and $10,239,000 is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases are as follows (amounts expressed in thousands).

Asset	Third Parties Amount
Construction in progress	$ 51,854
Land and improvements	19,102
Buildings and improvements	1,043,334
Machinery and equipment	263,928
Infrastructure	319,383
Total acquired assets	1,697,601
Less: Accumulated depreciation	480,355
Total capital assets - net	$1,217,246

Pollution Remediation Obligations -

The State has recognized a pollution remediation obligation on the statement of net assets for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

(a) There is an imminent danger to the public.
(b) The State is in violation of a related permit or license.
(c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
(d) The State is named or has evidence that it will be named in a lawsuit.
(e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP

in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts - the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is $680,697,000 with approximately $511,280,000 of estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State law in the amount of $155,670,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes $12,461,000 for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland. The State is also responsible for the removal and replacement of underground storage tanks and the monitoring of wells, in an estimated amount of $1,286,000, as a result of not complying with federal requirements under the Clean Water Act and the Resource Conservation Recovery Act.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of $325/ton based on historical data, fuel costs, specific site factors and adjusted by 3% - 4% CPI.

No pollution remediation liability has been recognized for a former landfill on land owned by the highway department that has been identified for cleanup by the EPA. The EPA has invited the agency to participate in a PRP Group as owner-operator of the land. The agency has replied that it transferred the land in question to a local government. The State has not made a final commitment. Cleanup costs have yet to be determined.

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, and pollution remediation obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2010, are as follows (amounts expressed in thousands).

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable	$5,422,501	$ 1,083,158	$344,026	$6,161,633	$358,646
Other Liabilities:					
Lottery prizes	119,702	8,279	29,656	98,325	24,098
Escrow deposits	40,479	25,393	34,851	31,021	6,537
Rebate liability	10,106	1,074	3,146	8,034	725
Compensated absences	11,648	6,835	6,082	12,401	2,868
Self insurance costs	8,720	2,086	2,010	8,796	1,363
Obligations under capital leases	5,748		487	5,261	1,166
Total other liabilities	196,403	43,667	76,232	163,838	36,757
Total long-term liabilities-business type activities	$5,618,904	$1,126,825	$420,258	$6,325,471	$395,403

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity are as follows (amounts expressed in thousands).

Years Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority		Maryland Unemployment Insurance Program
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2011	$ 126,506	$ 120,530	$ 14,465	$ 5,499	$ 84,465	$ 135,559	$133,841
2012	318,595	117,375	15,660	4,890	88,058	131,349	
2013	73,585	114,526	13,400	4,240	101,588	127,530	
2014	80,050	111,442	13,470	3,760	114,957	122,918	
2015	83,310	108,058	6,560	3,192	108,762	117,765	
2016-2020	431,025	484,390	32,835	11,863	598,316	500,237	
2021-2025	348,600	395,810	30,330	3,834	315,215	377,967	
2026-2030	340,185	315,259			339,320	288,684	
2031-2035	487,405	229,502			352,310	197,396	
2036-2040	535,910	124,064			357,815	106,252	
2041-2045	251,510	39,743			213,485	18,706	
2046-2050	39,055	3,448					
Total	3,115,736	2,164,147	126,720	37,278	2,674,291	2,124,363	133,841
Discounts, premiums and other deferred costs	21,147		3,696		52,308		
Accumulated accreted interest					33,894		
Total	$3,136,883	$2,164,147	$130,416	$37,278	$2,760,493	$2,124,363	$133,841

Community Development Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately $3,717,989,000 and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.5% to 6.8%, with the bonds maturing serially through June, 2049. The principal amount outstanding as of June 30, 2010, is $3,136,883,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 101% of the outstanding principal amount. During fiscal year 2010, the Administration issued $138,205,000 of revenue bonds with interest rates ranging from 0.5% to 5.3% and maturing serially through November, 2041 and $246,330,000 of revenue bonds at variable short-term rates and maturing on January 1, 2012.

Subsequent to June 30, 2010, the Administration issued a total of $93,555,000 and redeemed a total of $69,720,000 revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with variable rate revenue bonds totaling $295,555,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of $295,555,000 matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .2% or .3%. Conversely, the bonds' variable rate is based on the Securities

Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2010. The fair value of three swaps with one counterparty is ($8,205,000), the fair value of one swap with a second counterparty is ($4,560,000), the fair value of three swaps with a third counterparty is ($17,625,000), and the fair value of one swap with a fourth counterparty is ($2,240,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2010, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated AA by Standard & Poor's and Aa by Moody's, the second counterparty is rated A by Standard & Poor's and Fitch and Aa by Moody's, the third counterparty is rated Aa by Moody's and AAA by Standard & Poor's and Fitch, and the fourth counterparty is rated Aaa by Moody's and AA by Fitch. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2010, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Years Ending	Hedged Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swaps, Net	Total
2011……..	$ 110	$ 901	$ 11,303	$ 12,314
2012……..		919	10,818	11,737
2013……..		915	10,365	11,280
2014……..		916	9,958	10,874
2015……..		916	9,588	10,504
2016-2020……	6,695	4,552	41,814	53,061
2021-2025……	9,560	4,385	33,236	47,181
2026-2030……	21,555	4,175	28,606	54,336
2031-2035……	148,505	2,554	20,628	171,687
2036-2040……	77,365	997	8,944	87,306
2041-2045……	31,765	247	912	32,924
Total……..	$295,555	$21,477	$186,172	$503,204

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of ($32,630,000) as of June 30, 2010. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2010 and 2009, and the changes in fair values for the year ended June 30, 2010 (amounts expressed in thousands).

	Total Fair Value at June 30, 2009	Total Fair Value at June 30, 2010	Change in Fair Value for the Period
Interest rate swaps:			
Cash flow hedges	$ (14,149)	$ (32,630)	$ (18,481)
Investment derivatives	(15,306)		15,306
Total	$ (29,455)	$ (32,630)	$ (3,175)

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2010, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2010, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2010		Outstanding Notional
	Classification	Amount	Classification	Amount	Amounts
Cash flow hedges:					
Pay fixed interest rate swaps	Deferred outflow	$(18,481)	Debt	$(32,630)	$295,555
Investment derivatives:					
Pay fixed interest rate swaps	Investment revenue	$ 15,306	Investment	$ –	$ –

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

At June 30, 2009, the Administration determined that 2007 Series F, J and M interest rate swaps did not meet the criteria for effectiveness. Therefore, the swap fair values in the amount of $15,305,000 were reclassified as investment revenue and restated beginning net assets on these financial statements.

Maryland Water Quality Financing Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 4.1%, payable semiannually, with annual installments from $2,625,000 to $12,920,000 to March 1, 2025. The principal amount outstanding as of June 30, 2010, is $130,416,000. These bonds are payable solely from the revenue, money or property of the Administration.

Maryland Unemployment Insurance Program - Non-Interest Loan Agreement:

The Program entered into a new non-interest loan arrangement with the U.S. Department of Labor for a maximum amount of $300,000,000 to provide liquidity to the Program. During the year, the Program was advanced $133,841,000 which is still outstanding as of June 30, 2010. The loan is due on December 31, 2010.

Short-term debt activity during fiscal year 2010 is as follows (amounts expressed in thousands).

Outstanding short-term debt as of June 30, 2009…….....	$ -
Issuance…….	133,841
Retirements……...	-
Outstanding short-term debt as of June 30, 2010….....	$133,841

This amount of short-term debt is included in the revenue bonds payable-current on the Statement of Net Assets.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2010, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from $721 to $5,080 from July 1, 2010, to July 1, 2015, with approximate yields to maturity of 6.3% to 6.4% and an accreted amount	$ 50,520
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from $2,145 to $8,505 from July 1, 2010, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually	105,855
BWI Parking Garage Revenue Bonds, Series 2002 A and B, maturing in annual installments ranging from $4,315 to $17,470 from March 1, 2011, to March 1, 2027, with interest rates ranging from 4.0% to 5.3% payable semiannually	220,575
BWI Facilities Projects Bonds, Series 2003, maturing in annual installments ranging from $9,900 to $11,200 from July 1, 2010, to July 1, 2013, with a current variable rate of .3%, payable semiannually	42,300
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from $1,205 to $2,780 from July 1, 2010, to July 1, 2028, with interest rates ranging from 3.0% to 5.0%, payable semiannually	35,635
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,155 to $15,235 from July 1, 2010, to July 1, 2032, with interest rates ranging from 4.5% to 5.3% payable semiannually	156,855
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from $635 to $1,415 from July 1, 2010, to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually	21,960
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from $24,345 to $34,390 from March 1, 2011, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project	257,090
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,025 to $12,685 from July 1, 2012, to July 1, 2031, with interest rates ranging from 4.0% to 5.0% payable semiannually	300,000
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $8,885 to $31,070 from July 1, 2012, to July 1, 2038, with interest rates ranging from 4.8% to 5.1% payable semiannually	573,305
Series 2009 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects maturing in annual installments of $2,380 to $14,570 from July 1, 2016 to July 1, 2023 with interest rates ranging from 3.0% to 5.0% payable semiannually	549,385
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from $30,295 to $48,865 from March 1, 2011, to March 1, 2020, with an interest rate of 4.3%, payable semiannually	394,705
Unamortized premium	52,308
Total	$2,760,493

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable as of June 30, 2010, include an accreted amount of $33,894,000.

The Authority is authorized to issue Grant and Revenue Anticipation Bonds (GARVEE Bonds) to a maximum amount of $750,000,000 to build the Intercounty Connector highway project to be built in Montgomery and Prince George's Counties, Maryland. Debt service on these bonds is payable from a portion of Maryland's future Federal highway aid and other pledged moneys. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State. The Authority has issued all GARVEE bonds authorized as of June 30, 2010.

During the year ended June 30, 2010, the Authority issued Series 2009 Revenue Bonds of $549,385,000 for construction and improvments to the Authority's transportation facilities projects, including bonds of $98,870,000 with interest rates ranging from 3.0%

to 5.0% and maturing serially through July, 2023 and term bonds of $450,515,000 maturing July 1, 2029 and 2043 with coupons of 5.8% and 5.9% respectively.

Obligations Under Capital Leases -

Obligations of business-type activities under capital leases as of June 30, 2010, are as follows (amounts expressed in thousands).

Years Ending June 30,	State Lottery Agency
2011	$1,286
2012	1,252
2013	1,217
2014	1,216
2015	607
Total minimum lease payments	5,578
Less: Imputed interest	317
Present value of net minimum lease payments	$5,261

The Lottery has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2010, assets acquired under leases and the related accumulated amortization totaled $5,882,000 and $1,626,000 respectively, and are included in capital assets in the Statement of Net Assets, Business-type Activities.

C. Notes and Revenue Bonds Payable - Component Units:

Higher Education -

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity, excluding debt of the foundations in the amount of $4,572,000, are as follows (amounts expressed in thousands).

Years Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	$ 5,600	$ 3,878	$ 75,725	$ 47,305
2012	6,235	4,964	78,235	42,943
2013	7,216	3,823	68,840	39,835
2014	6,298	3,618	64,035	36,861
2015	4,256	3,462	66,950	33,931
2016-2020	15,002	15,838	341,865	120,402
2021-2025	60,020	5,168	234,450	51,692
2026-2030			112,570	13,558
2031-2035			9,840	928
2036-2040			725	51
Total	104,627	40,751	1,053,235	387,506
Accumulated accreted interest and other deferred costs			28,033	
Total	$104,627	$40,751	$1,081,268	$387,506

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2010, higher education institutions have defeased debt outstanding of $133,300,000 resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

As of June 30, 2010, cash and cash equivalents and investments were held by the trustees for the higher education institutions in the amount of $244,120,000 for the University System of Maryland (System), $626,000 for St. Mary's College of Maryland, and $5,954,000 for Morgan State University.

For the year ended June 30, 2010, the System issued $87,320,000 of 2009 Refunding Series C and D Revenue Bonds to refund $87,105,000 of existing bonds at a premium of $5,383,000. The refunding bonds bear interest at 2.0% to 4.0% and mature from 2011 to 2023. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $6,732,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $5,828,000.

On April 2, 2010, the System issued $120,000,000 of 2010 Series A and B Revenue Bonds to finance new educational and auxiliary facilities and for renovations. The bonds bear interest at 2.5% to 5.4% and mature from 2011 to 2030. The bonds were issued with a $2,854,000 premium.

Obligations under capital leases of $10,526,000 exist as of June 30, 2010, bearing interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) - Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2011	$ 18,069	$ 15,139
2012	20,693	14,388
2013	21,757	13,080
2014	30,839	11,656
2015	22,475	10,184
2016-2020	100,874	31,667
2021-2025	41,403	8,337
2026	6,080	352
Total	262,190	104,803
Unamortized discount net of unamortized premium	(15)	
Total	$262,175	$104,803

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2010, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	$116,234	Variable	July 1, 2022
Football Stadium	72,672	Variable	March 1, 2026
Baltimore City Convention Center	21,395	Variable	December 15, 2014
Ocean City Convention Center	7,595	4.8% to 5.4%	December 15, 2015
Hippodrome Performing Arts Center	15,491	5.0% to 6.3%	June 15, 2022
Montgomery County Conference Center	17,971	2.0% to 5.0%	June 15, 2024
Camden Station	7,870	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	2,947	5.6%	January 1, 2018
Total	$262,175		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2010 were as follows (amounts expressed in thousands).

	Balance June 30, 2009	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2010	Amount Due Within One Year
Property, casualty and general liability	$ 15,378	$ 5,270	$ 5,193	$ 15,455	$ 3,906
Workers' compensation	265,751	59,761	52,944	272,568	34,605
Employee health benefits	80,371	1,082,789	1,073,175	89,985	89,985
Total self-insurance costs	$361,500	$1,147,820	$1,131,312	$378,008	$128,496

As of June 30, 2010, the Program held $243,087,000 in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2009 were as follows (amounts expressed in thousands).

	Balance June 30, 2008	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2009	Amount Due Within One Year
Property, casualty and general liability…	$ 16,334	$ 5,313	$ 6,269	$ 15,378	$ 3,914
Workers' compensation……	269,503	57,642	61,394	265,751	33,845
Employee health benefits……..……	72,958	929,793	922,380	80,371	80,371
Total self-insurance costs…….	$ 358,795	$992,748	$990,043	$361,500	$118,130

As of June 30, 2009, the Program held $230,987,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net assets is $6,664,836,000. A portion of the deficit results from the State incurring debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2010, the State has reported outstanding general obligation bonds and capital leases applicable to these non-State projects of $4,016,965,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of $2,647,871,000.

The statement of net assets for the primary government reports $2,435,944,000 of restricted net assets, including $150,191,000 restricted by enabling legislation.

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet are as follows (amounts expressed in thousands).

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable – Prepaid items, inventories and long-term loans and notes receivable.....	$448,982	$171,094		$620,076
Spendable:				
Restricted for:				
Capital improvements.....		2,657		2,657
Debt service.....			$151,317	151,317
Other purposes	398	412		810
Committed to:				
State Reserve Fund	614,706			614,706
Health and mental hygiene	222,992			222,992
Education.....	43,257			43,257
Human resources.....	7,689			7,689
Public safety	26,657			26,657
Transportation		161,559		161,559

Judicial	29,446			29,446
Labor, licensing and regulation	9,431			9,431
Natural resources and recreation	71,089			71,089
Housing and community development	3,972			3,972
Environment	38,398			38,398
Agriculture	9,337			9,337
Business and economic development	23,887			23,887
Capital projects			447,295	447,295
Other purposes	39,815			39,815
Unassigned	(340,964)		(358,796)	(699,760)
Total fund balances	$1,249,092	$335,722	$239,816	$1,824,630

A portion of the general fund's committed fund balance, in the amount of $614,706,000 as of June 30, 2010, includes the State Reserve Fund, consisting primarily of the Revenue Stabilization Account with a balance of $611,619,000. The Revenue Stabilization Account, authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland, is designed to retain State revenues for future needs and reduce the need for future tax increases.

Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds $10,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of $50,000,000 or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is $100,000,000. For fiscal years 2011 and 2012, any appropriation is not required if it would result in the loss of Federal funds to the State. Transfer of funds from the account that does not result in a balance below 5% must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net assets in other enterprise funds of $13,992,000 for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below.

Condensed Statement of Net Assets
As of June 30, 2010
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	$ 860,255	$ 80,199
Non-current restricted assets	2,857,734	588,718
Total assets	3,717,989	668,917
Liabilities:		
Current liabilities	195,066	16,058
Non-current liabilities	3,061,193	116,334
Total liabilities	3,256,259	132,392
Net Assets:		
Restricted	461,730	536,525
Total net assets	$ 461,730	$536,525

Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income	$ 144,355	$ 9,390
Other operating revenues	4,763	
Other operating expenses	(28,542)	(18,486)
Operating income (loss)	120,576	(9,096)
Non-operating revenues (expenses)	(78,507)	(37,979)
Change in net assets	42,069	(47,075)
Beginning net assets, as restated	419,661	583,600
Ending net assets	$ 461,730	$ 536,525

Condensed Statement of Cash Flows
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash provided (used) by:		
Operating activities	$ 158,958	$ 50,277
Non-capital financing activities	9,417	(69,455)
Investing activities	8,112	680
Beginning cash and cash equivalents	425,426	18,498
Ending cash and cash equivalents	$ 601,913	$ –

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 100 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System's Board of Trustees. All State employees and employees of participating entities are covered by the plans.

"Retirement System" - retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after 5 years of service. A member terminating employment before attaining retirement age, but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62, or after completing 30 years of Service Credit, regardless of age. State police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages, 7.0% or 5.0% depending on the retirement plan selected. Members of the Pension System are required to contribute to the System 5.0% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5.0% of their regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the Board of Trustees for the System. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. This method effectively maintains the contribution rate in effect for the Teachers' and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2010, the State paid $1,206,149,000, of the required contribution totaling $1,427,579,000 which was 12.3% of covered payroll and 84.5% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net assets. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2010, the State's membership includes 171,811 active members, 45,154 vested former members, and 106,776 retirees and beneficiaries.

Annual Pension Cost and Net Pension Obligation:

The annual pension cost and net pension obligation as of June 30, 2010, are as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution.	$ 889,605	$ 438,176	$ 37,114	$ 19,955	$ 32,359
Interest on net pension obligation	26,555	50,337	1,804		
Actuarial adjustment to annual required contribution.....	(24,814)	(42,152)	(1,360)		
Annual pension cost	891,346	446,361	37,558	19,955	32,359
Contributions made	820,867	307,503	25,465	19,955	32,359
Increase in net pension obligation…	70,479	138,858	12,093		
Net pension obligation, beginning of year	342,646	649,523	23,280		
Net pension obligation, end of year	$ 413,125	$ 788,381	$ 35,373	$ -	$ -
Amortization period (years rolling).....	20.7	24.8	30	18.8	16.8

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

	Annual Pension Cost As of June 30		
Plan	2010	2009	2008
Teachers' Retirement and Pension System.....	$891,346	$758,391	$ 669,341
Employees' Retirement and Pension System.....	446,361	383,310	357,419
State Police Retirement System.....	37,558	31,217	22,559
Judges' Retirement System.....	19,955	17,520	16,661
Law Enforcement Officers' Pension System	32,359	32,234	34,355

	Percentage of Annual Pension Cost Contributed As of June 30,		
Plan	2010	2009	2008
Teachers' Retirement and Pension System.....	92%	89%	94%
Employees' Retirement and Pension System.....	70	71	76
State Police Retirement System.....	68	56	59
Judges' Retirement System.....	100	100	100
Law Enforcement Officers' Pension System.....	100	100	100

Plan	Net Pension Obligation As of June 30, 2010	2009	2008
Teachers' Retirement and Pension System	$413,125	$342,646	$257,511
Employees' Retirement and Pension System	788,381	649,523	529,464
State Police Retirement System	35,373	23,280	9,277
Judges' Retirement System			
Law Enforcement Officers Pension System			

The funded status of each plan as of June 30, 2010, the most recent valuation date, is as follows (amounts expressed in thousands).

Plan	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
Teachers' Retirement and Pension System	$20,908,150	$31,963,421	$(11,055,271)	65.41%	$6,411,550	(172.43)%
Employees' Retirement and Pension System	9,224,784	15,451,890	(6,227,106)	59.70	3,163,684	(196.83)
State Police Retirement System	1,085,281	1,722,564	(637,283)	63.00	83,123	(766.67)
Judges' Retirement System	276,643	426,215	(149,572)	64.91	40,654	(367.91)
Law Enforcement Officers' Pension System	367,934	715,568	(347,634)	51.42	89,227	(389.61)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. The Schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2010, the most recent valuation date.

Valuation method	Individual Entry Age Normal Cost Method
Cost method of valuing assets	Five-year smooth market (maximum 120% and minimum 80% of market value)
Rate of return on investments	7.75%
Projected payroll growth	3.5% - 12%
Discount rate	7.75%
Post retirement benefit increase	2.75% to 3.5% (depending on system and provisions)
Amortization method	Level Percent of Payroll
Remaining amortization period	10 years as of June 30, 2010 for prior UAAL (existing on June 30, 2000)
New layers as of June 30, 2001 – 2010	16 – 25 years as of June 30, 2010 for new UAAL. 30 years is used wherever the equivalent single amortization period exceeds 30 years.
Status of period (Open or Closed)	Closed

Effective April 2010, the July 2010 cost-of-living adjustment for retirees of the Teachers' Retirement and Pension System, Employees' Retirement and Pension System, State Police Retirement System, and the Law Enforcement Officers' Pension System was determined to be zero with the actual negative adjustment (-.0356) to be offset against a future positive cost-of-living adjustment.

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)2(ii), of the Annotated Code of Maryland. For the year ended June 30, 2010, the Administration's covered and total payroll was $145,029,000. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2010, membership in the Plan includes 2,827 active members, 472 vested former members, and 1,373 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling $37,761,000 (26.0% of covered payroll) for fiscal year 2010 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2009. This amount consisted of $4,163,000 normal cost and $21,988,000 amortization of the actuarial accrued liability (2.9% and 15.2%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities, as provided by law, is 9 years from June 30, 2010.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2010 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2010, are as follows (amounts expressed in thousands).

Annual required contribution (ARC)	$ 24,893
Interest on net pension obligation	540
Adjustment to ARC	718
Annual pension cost	26,151
Contributions made	37,761
Decrease in net pension obligation	(11,610)
Net pension obligation, beginning of year	1,168
Net pension obligation, end of year	$(10,442)
Amortization period	13.7 years

Three Year Historical Trend Information for the Plan is as follows (amounts expressed in thousands).

Fiscal Year Ended,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	$26,151	144%	$(10,442)
6/30/2009	24,659	111	1,168
6/30/2008	24,635	99	3,763

Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 38.2% funded. The actuarial accrued liability for benefits was $426,041,000 and the actuarial value of assets was $162,756,000 resulting in an unfunded actuarial accrued liability (UAAL) of $263,285,000. The covered payroll (annual payroll of active employees covered by the plan) was $145,029,000 and the ratio of the UAAL to the covered payroll was (181.5)%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2010, the most recent valuation date.

Valuation method	Entry Age Normal Cost Method
Cost method of valuing assets	Smoothing 20% market; 80% actuarial value
Rate of return on investments	7.75% Compounded per annum
Discount rate	7.75% Compounded per annum
Rate of salary increase	4.0% Compounded per annum
Postretirement benefit increase	Preceding Year Consumer Price Index, capped at 3%
Amortization method	Level percent of payroll
Remaining amortization period	9 years from June 30, 2010 for UAAL (existing on June 30, 2002)
New amortization period	17 years from June 30, 2010 for new UAAL
Status of period (Open or Closed)	Closed

During fiscal year 2010, there were no changes in actuarial assumptions or benefit provisions from 2009 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-

qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is $600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2009, the State suspended the match contribution. For the plan year ended December 31, 2009, the State contributed $3,102,000 and participants contributed $161,570,000 to the Plan.

16. Other Postemployment Benefits, Health Benefits (OPEB)

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 - 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit plan report is not available for the defined benefit healthcare plan.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as a result of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed $100,000 annually. The 2009 Budget Reconciliation and Financing Act redirects the subsidy to the Plan for fiscal years 2010-2012.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. As of July 1, 2010, the State's Plan membership includes 82,071 active employees, 4,588 vested former employees, and 57,149 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2010, retiree plan members contributed $69,520,000 or approximately 17% of total retiree premiums, and the State contributed $332,985,000. In fiscal year 2010, the State transferred $999,000 from the federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs. The State also contributed $2,425,000 of additional funding to the Trust.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2010 (amounts expressed in thousands).

Annual required contribution (ARC)	$ 1,184,552
ARC adjustment	(57,332)
Interest on net OPEB obligation beginning of year	63,560
Total Annual OPEB Cost (AOC)	1,190,780
Less: Contributions made	336,408
Increase in net OPEB obligation	854,372
Net OPEB obligation - beginning of year	1,478,130
Net OPEB obligation - end of year	$ 2,332,502
Percentage of annual OPEB cost contributed	28.3%

Historical trend information for the OPEB Plan since inception is as follows (amounts expressed in thousands).

Fiscal Year Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/10	$1,190,780	28.3%	$2,332,502
6/30/09	1,148,597	31.9	1,478,130
6/30/08	1,086,240	35.9	695,921

Funded Status:

As of June 30, 2010, the most recent actuarial valuation date, the OPEB Trust was 1.1% funded. The actuarial accrued liability for benefits was $16,098,602,000, and the actuarial value of assets was $183,388,000, resulting in an unfunded actuarial accrued liability (UAAL) of $15,915,214,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 1.1%. The covered payroll (annual payroll of active employees covered under the Plan) was $4,627,379,000, and the ratio of the UAAL to the covered payroll was (343.9)%.

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2010.

Actuarial cost method	Entry Age Normal (percent of pay)
Asset valuation method	Five-year smoothed market.
Rate of return on investments	4.30% (blended rate)
Aggregate salary growth	3.50%
Method to determine blended rate	Blended rate of the expected long-term investment returns on plan assets (7.75%) and on the State's own assets (4.25%) calculated based on the

	funded level of the plan at the valuation date.
Healthcare cost trend rate	Medical: 8.0% for 2011 trending down to 5.0% by FYE 2019 Prescription drug: 9.0% for 2011 trending down to 5.0% by FYE 2020 Dental: 4.5% (0.0% in 2011)
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of services provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2010, 2,317 active employees and 1,095 retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA's annual OPEB cost, the amount actually contributed and MTA's net OPEB obligation as of June 30, 2010 (amounts expressed in thousands).

Annual required contribution (ARC)	$ 45,500
ARC adjustment	(4,200)
Interest on net OPEB obligation beginning of year	2,900
Total annual OPEB cost (AOC)	44,200
Less: Contributions made	(10,900)
Less: Interest on contributions	(200)
Increase in net OPEB obligation	33,100
Net OPEB obligation – beginning of year	64,500
Net OPEB obligation – end of year	$ 97,600
Percentage of annual OPEB cost contributed	24.7%

Historical trend information for the MTA OPEB since adoption of GASB Statement No. 45 is as follows (amounts expressed in thousands).

Fiscal Year Ended	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/10	$44,200	24.7%	$97,600
6/30/09	43,300	23.3	64,500
6/30/08	41,400	23.4	31,500

Funded Status:

MTA OPEB is unfunded. As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $431,500,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was $151,560,000, and the ratio of the AAL to the covered payroll was (284.7)%.

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2009.

Actuarial cost method……	Entry Age Normal
Asset valuation method……	Fair market value at fiscal year end
Rate of return on investments……...	4.5%
Aggregate salary growth……	3.5%
Healthcare cost trend rate……	Medical: 7.9% in 2009, 7.0% in FY 2010 and gradually decreasing to 5.0% in FY 2011 Prescription drug: 5% for all future years Dental and vision: 5.0% for all future years
Amortization method……...	Level annual payments over a fixed number of years
Amortization period……..	25 years (closed)

17. Commitments:

Encumbrances for specific purposes for which resources already have been reported as restricted or committed on the governmental funds balance sheet are $184,413,000 in the general fund and $447,295,000 in other governmental funds as of June 30, 2010.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2010, were approximately $65,833,000.

As of June 30, 2010, the governmental funds, other than the Department of Transportation, had commitments of approximately $65,764,000 for service contracts.

As of June 30, 2010, the Department of Transportation and Maryland Transportation Authority had commitments of approximately $3.2 billion and $1.3 billion, respectively, for construction of highway and mass transit facilities.

Approximately 52% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases . Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2011	$124,031
2012	121,286
2013	116,668
2014	112,348
2015	110,250
2016 -2020	211,882
2021 -2025	116,650
Total	$913,115

The cost and accumulated depreciation of the assets as of June 30, 2010, are $1,477,829,000 and $606,323,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately $155,501,000 for the year ended June 30, 2010.

As of June 30, 2010, the Maryland State Lottery Agency had commitments of approximately $375,000,000, for services to be rendered relating principally to the operation of, and advertising for, the lottery games and the video lottery terminal program.

As of June 30, 2010, the enterprise fund loan programs had committed to lend a total of $269,285,000 in additional loans. The Community Development Administration, also an enterprise fund loan program, has $339,820,000 of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

Pursuant to legislation enacted by the Maryland General Assembly in April, 1996, the Maryland Stadium Authority is required to pay $2,400,000 per year into the Public School Construction Fund over ten years, subject to availability of funds, beginning in fiscal year 2001. The Authority was relieved of its fiscal year 2010 obligation through the approval of the State's budget.

As of June 30, 2010, the higher education fund had commitments of approximately $382,439,000 for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2010, economic development loan programs were contingently liable to financial institutions for $4,587,000 for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of

$168,146,000 of $394,601,000 mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of $17,510,000 of $433,221,000 economic development and growth bonds issued by financial institutions.

As of June 30, 2010, there were approved economic development bonds pending settlement which were insured by non-major component units for $1,415,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2010, the State estimates that no material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of $165,551,000 were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2010 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2010 was $157,064,000, including the award from the arbitration panel for attorney fees. This amount does not include $12,722,000 the tobacco companies paid to the disputed account pending the outcome of litigation.

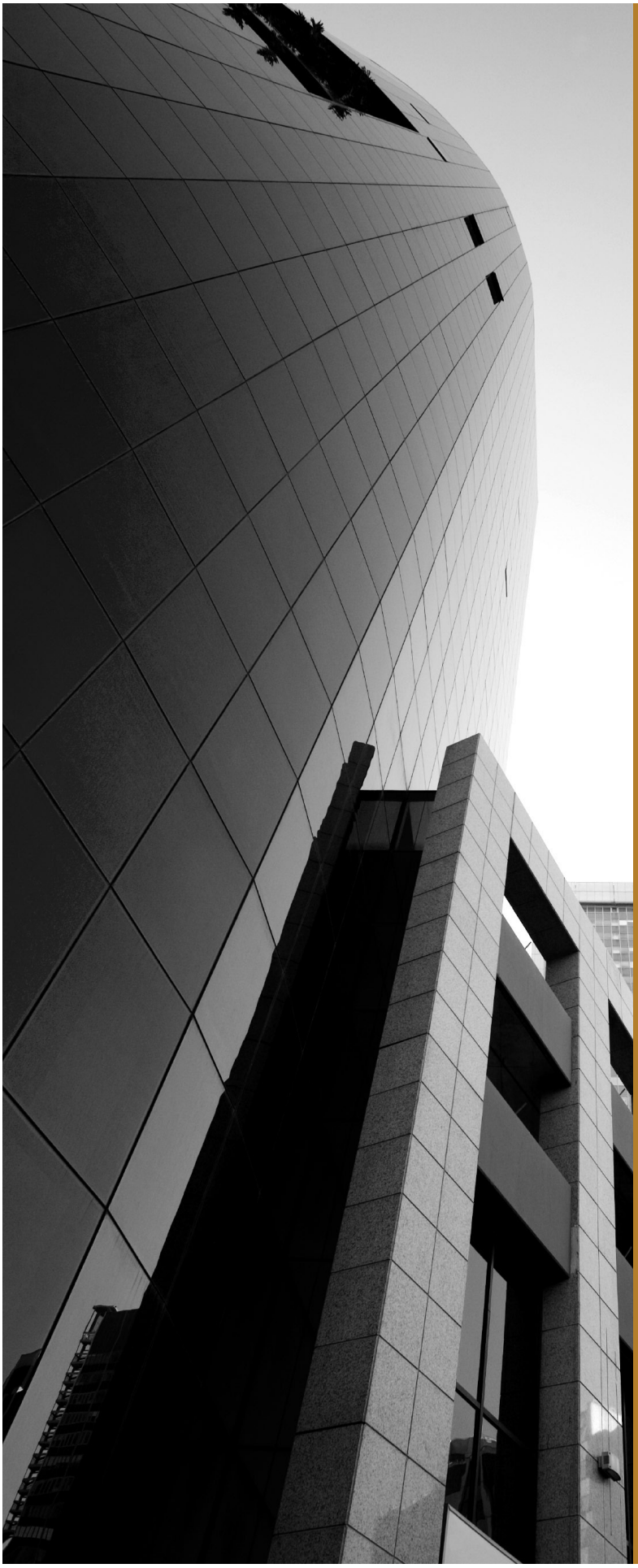
It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2015 will total $2.54 billion of which $149,873,000 was paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive $81,012,000 during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to cover the Midshore Regional Landfill (Midshore), which the current cell is expected to close in December 2010, and to perform certain maintenance and monitoring functions at the Midshore and Easton Landfill (Easton) sites for thirty years after closure. Although closure and postclosure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfill. Midshore's current cells are approximately 98 % filled as of June 30, 2010. Total closure and postclosure care costs for the landfill is currently estimated to be $12,886,000 as determined through engineering studies, and $11,236,000 has been recognized as a liability on the June 30, 2010, Combining Statement of Net Assets, Non-Major Component Units. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2009. The Service expects to satisfy these requirements as of June 30, 2010, using the same criteria.



REQUIRED SUPPLEMENTARY INFORMATION

STATE OF MARYLAND

Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds

For the Year Ended June 30, 2010

(Expressed in Thousands)

	General Fund			
	Budget Amounts			Variance
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues:				
Income taxes	$7,157,665	$6,600,565	$6,888,949	$ 288,384
Sales and use taxes	3,605,424	3,473,936	3,528,960	55,024
Other taxes	1,066,748	1,010,987	1,034,718	23,731
Licenses and fees	199,052	202,944	204,963	2,019
Charges for services	295,670	291,250	271,923	(19,327)
Interest and other investment income	73,000	35,000	64,759	29,759
Other	599,461	598,114	705,211	107,097
Federal revenue				
Total revenues	12,997,020	12,212,796	12,699,483	486,687
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	124,011	124,011	124,011	
Public debt				
Legislative	84,655	84,655	70,961	13,694
Judicial review and legal	498,501	493,964	462,295	31,669
Executive and administrative control	239,847	213,198	204,722	8,476
Financial and revenue administration	189,348	198,718	195,843	2,875
Budget and management	54,378	40,308	36,979	3,329
Retirement and pension				
General services	61,790	53,842	52,254	1,588
Transportation and highways				
Natural resources and recreation	53,717	46,891	45,421	1,470
Agriculture	30,369	25,645	25,626	19
Health, hospitals and mental hygiene	3,166,495	2,986,536	2,962,552	23,984
Human resources	573,424	614,170	606,280	7,890
Labor, licensing and regulation	36,036	33,283	32,970	313
Public safety and correctional services	1,050,955	1,009,875	1,004,495	5,380
Public education	7,067,918	7,016,638	6,989,558	27,080
Housing and community development	12,888	12,500	11,028	1,472
Business and economic development	97,146	85,974	67,638	18,336
Environment	47,760	45,234	39,195	6,039
Juvenile services	262,123	260,637	260,382	255
State police	172,698	166,543	160,714	5,829
State reserve fund	139,948	114,948	114,948	
Reversions	(63,680)	(63,680)		(63,680)
Total expenditures and encumbrances	13,900,327	13,563,890	13,467,872	96,018
Excess of revenues over (under) expenditures	(903,307)	(1,351,094)	(768,389)	582,705
Other sources (uses) of financial resources:				
Transfers in (out)			898,877	898,877
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(903,307)	(1,351,094)	130,488	1,481,582
Fund balances - beginning of the year	(4,119,081)	(3,216,934)	925,637	4,142,571
Fund balances - end of the year	$(5,022,388)	$(4,568,028)	$1,056,125	$5,624,153

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts			Variance	Budget Amounts			Variance
Original Budget	Final Budget	Actual Amounts	Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
$ 153,638	$ 187,978	$ 202,736	$ 14,758				
221,092	217,117	224,817	7,700				
2,368,102	2,409,219	2,306,559	(102,660)				
701,290	771,483	767,541	(3,942)				
1,039,426	1,338,337	1,314,441	(23,896)				
30,550	25,690	32,013	6,323			$ 1,037	$ 1,037
1,020,474	785,894	695,130	(90,764)				
				$9,308,051	$10,338,384	9,095,525	(1,242,859)
5,534,572	5,735,718	5,543,237	(192,481)	9,308,051	10,338,384	9,096,562	(1,241,822)
784,987	784,987	776,666	8,321		857	857	
100	100	90	10				
99,420	101,344	76,896	24,448	6,693	7,178	6,160	1,018
284,709	288,353	235,365	52,988	171,200	233,157	157,523	75,634
101,977	106,154	100,077	6,077				
28,748	30,426	17,356	13,070				
39,974	39,512	31,644	7,868				
2,606	2,543	2,534	9	1,002	1,002	1,002	
2,777,816	2,488,286	2,358,259	130,027	1,081,016	1,010,289	804,900	205,389
184,820	184,403	126,123	58,280	44,973	61,542	34,287	27,255
87,068	96,305	53,129	43,176	14,623	15,703	10,964	4,739
725,868	901,904	867,516	34,388	4,418,200	4,697,467	4,666,835	30,632
88,365	135,917	132,854	3,063	1,285,008	1,682,358	1,547,816	134,542
42,161	41,037	33,558	7,479	184,143	192,262	163,469	28,793
170,866	176,328	147,438	28,890	49,367	86,187	75,243	10,944
95,738	120,889	110,996	9,893	1,662,639	1,846,705	1,393,417	453,288
92,214	98,340	46,500	51,840	366,726	474,383	294,568	179,815
92,208	92,696	30,620	62,076	3,286	3,625	3,042	583
488,892	503,080	121,994	381,086	220,578	221,553	63,587	157,966
1,343	2,039	714	1,325	15,057	16,287	10,296	5,991
76,326	75,431	65,320	10,111	35,003	39,292	24,224	15,068
6,266,206	6,270,074	5,335,649	934,425	9,559,514	10,589,847	9,258,190	1,331,657
(731,634)	(534,356)	207,588	741,944	(251,463)	(251,463)	(161,628)	89,835
		(135,121)	(135,121)			161,628	161,628
(731,634)	(534,356)	72,467	606,823	(251,463)	(251,463)		251,463
(2,563,005)	(2,616,504)	1,702,041	4,318,545	(1,687,321)	(1,687,314)		1,687,314
$(3,294,639)	$(3,150,860)	$1,774,508	$4,925,368	$(1,938,784)	$(1,938,777)	$ -	$1,938,777

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances
June 30, 2010
(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (pages 104 and 105)	$1,056,125	$1,774,508
Budgetary special funds reclassified to the general fund	961,852	(961,852)
Budgetary special funds reclassified to other funds		(557,840)
Other non-budgetary funds reclassified to governmental funds	301,352	417
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,319,329	255,233
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	(67,992)	
Investments	36,579	
Taxes receivable	27,143	2,114
Intergovernmental receivables	154,438	
Other accounts receivable	(1,177)	2,657
Prepaid items	(219,934)	
Inventories	25,987	79,089
Loans and notes receivable	33	(1,178)
Due from other funds	2,713	16,005
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	(164)	
Accounts payable and accrued liabilities	(244,771)	
Due to other funds	(381,110)	
Accounts payable to political subdivisions	(12,809)	(18,198)
Deferred revenue	(311,485)	
Accrued self insurance costs	(77,688)	
Financial statement governmental funds' fund balances, June 30, 2010 (page 28)	$1,249,092	$ 335,722

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Pension and Retirement System

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
			TEACHERS RETIREMENT AND PENSION SYSTEM			
2010	$20,908,150	$ 31,963,421	$(11,055,271)	65.41%	$ 6,411,550	(172.43)%
2009	20,605,618	31,172,917	(10,567,299)	66.10	6,411,550	(164.82)
2008	23,784,404	29,868,705	(6,084,301)	79.63	6,117,591	(99.46)
2007	22,814,759	28,122,575	(5,307,816)	81.13	5,709,765	(92.96)
2006	21,575,451	25,617,484	(4,042,033)	84.22	5,269,185	(76.71)
2005	20,801,529	23,305,198	(2,503,669)	89.26	5,055,392	(49.52)
			STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM			
2010	$ 9,224,784	$15,451,890	$ (6,227,106)	59.70%	$ 3,163,684	(196.83)%
2009	9,230,381	15,080,783	(5,850,402)	61.21	3,250,809	(179.97)
2008	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
2007	10,332,264	13,363,507	(3,031,243)	77.32	3,022,476	(100.29)
2006	9,825,416	12,184,215	(2,358,799)	80.64	2,828,348	(83.40)
2005	9,544,541	11,241,813	(1,697,272)	84.90	2,743,255	(61.87)
			STATE POLICE RETIREMENT SYSTEM			
2010	$ 1,085,281	$ 1,722,564	$ (637,283)	63.00%	$ 83,123	(766.67)%
2009	1,119,766	1,710,356	(590,590)	65.47	87,070	(678.29)
2008	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
2007	1,334,375	1,516,935	(182,560)	87.97	83,191	(219.45)
2006	1,301,877	1,325,875	(23,998)	98.19	80,649	(29.76)
2005	1,289,345	1,284,950	4,395	100.34	76,463	5.75
			JUDGES RETIREMENT SYSTEM			
2010	$ 276,643	$ 426,215	$ (149,572)	64.91%	$ 40,654	(367.91)%
2009	270,870	421,039	(150,169)	64.33	40,965	(366.58)
2008	306,716	406,782	(100,066)	75.40	37,943	(263.73)
2007	293,052	371,987	(78,935)	78.78	37,638	(209.72)
2006	273,679	352,537	(78,858)	77.63	35,939	(219.42)
2005	260,125	328,033	(67,908)	79.30	33,074	(205.32)
			STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM			
2010	$ 367,934	$ 715,568	$ (347,634)	51.42%	$ 89,227	(389.61)%
2009	354,707	684,424	(329,717)	51.83	89,571	(368.11)
2008	389,793	611,367	(221,574)	63.76	85,814	(258.20)
2007	354,364	593,308	(238,944)	59.73	82,079	(291.11)
2006	316,709	504,373	(187,664)	62.79	71,678	(261.82)
2005	281,659	470,677	(189,018)	59.84	72,374	(261.17)
			TOTAL OF ALL PLANS			
2010	$31,862,792	$ 50,279,658	$(18,416,866)	63.37%	$ 9,788,238	(188.15)%
2009	31,581,342	49,069,519	(17,488,177)	64.36	9,879,965	(177.01)
2008	36,523,539	46,825,889	(10,302,350)	78.00	9,438,452	(109.15)
2007	35,128,814	43,968,312	(8,839,498)	79.90	8,935,149	(98.93)
2006	33,293,132	39,984,484	(6,691,352)	83.27	8,285,799	(80.76)
2005	32,177,199	36,630,671	(4,453,472)	87.84	7,980,558	(55.80)

(1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.

(2) (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Pension Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2010	$162,756	$426,041	$(263,285)	38.20%	$145,029	(181.54) %
2009	143,319	337,667	(194,348)	42.44	155,560	(124.93)
2008	136,294	326,988	(190,694)	41.68	144,775	(131.72)

Required Supplemental Schedule of Funding Progress for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2010	$183,388	$16,098,602	$(15,915,214)	1.1%	$4,627,379	(343.9) %
2009	174,250	15,453,599	(15,279,349)	1.1	4,740,553	(322.3)
2008*	118,884	14,852,304	(14,733,420)	0.8	4,625,145	(318.6)

Required Supplemental Schedule of Employer Contributions and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		
		Employer Contributions (a)	Other Contributing Entities (b)	Total
2010	$1,184,522	25.8%	2.5%	28.3%
2009	1,148,597	29.4	2.5	31.9
2008*	1,086,240	34.2	1.7	35.9

Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2009	$ -	$431,500	$(431,500)	0.0%	$151,560	(284.7)%
2007*	-	411,400	(411,400)	0.0	144,775	(284.2)

Required Supplemental Schedule of Employer Contributions for Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	$45,500	$10,900	24.0%
2009	43,900	10,100	23.4
2008*	41,400	9,700	23.0

*Information for prior years not available.

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consists of the Federal Medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND

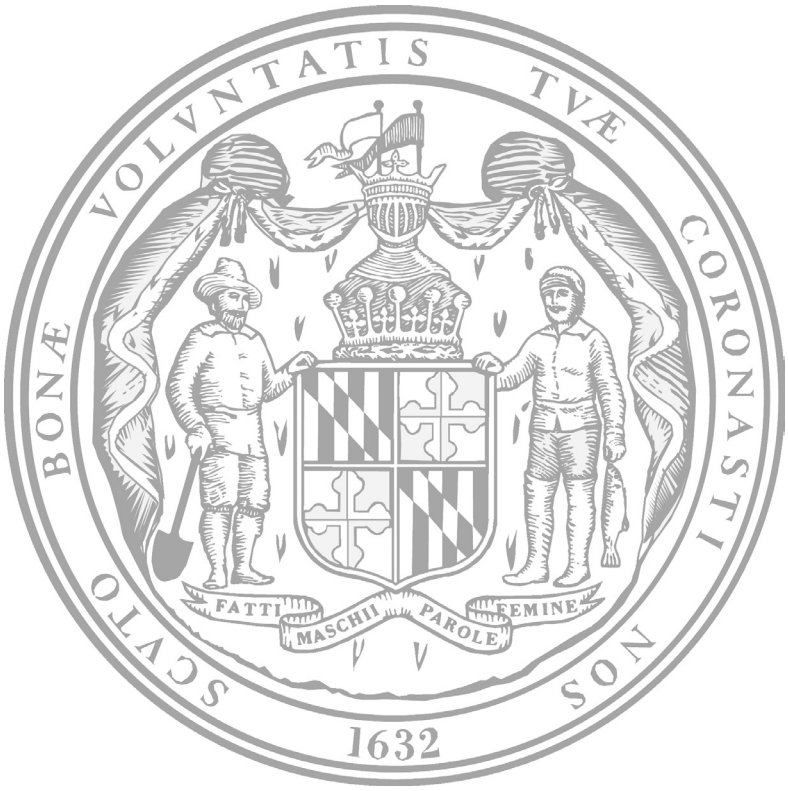
Notes to Required Supplementary Information
For the Year Ended June 30, 2010

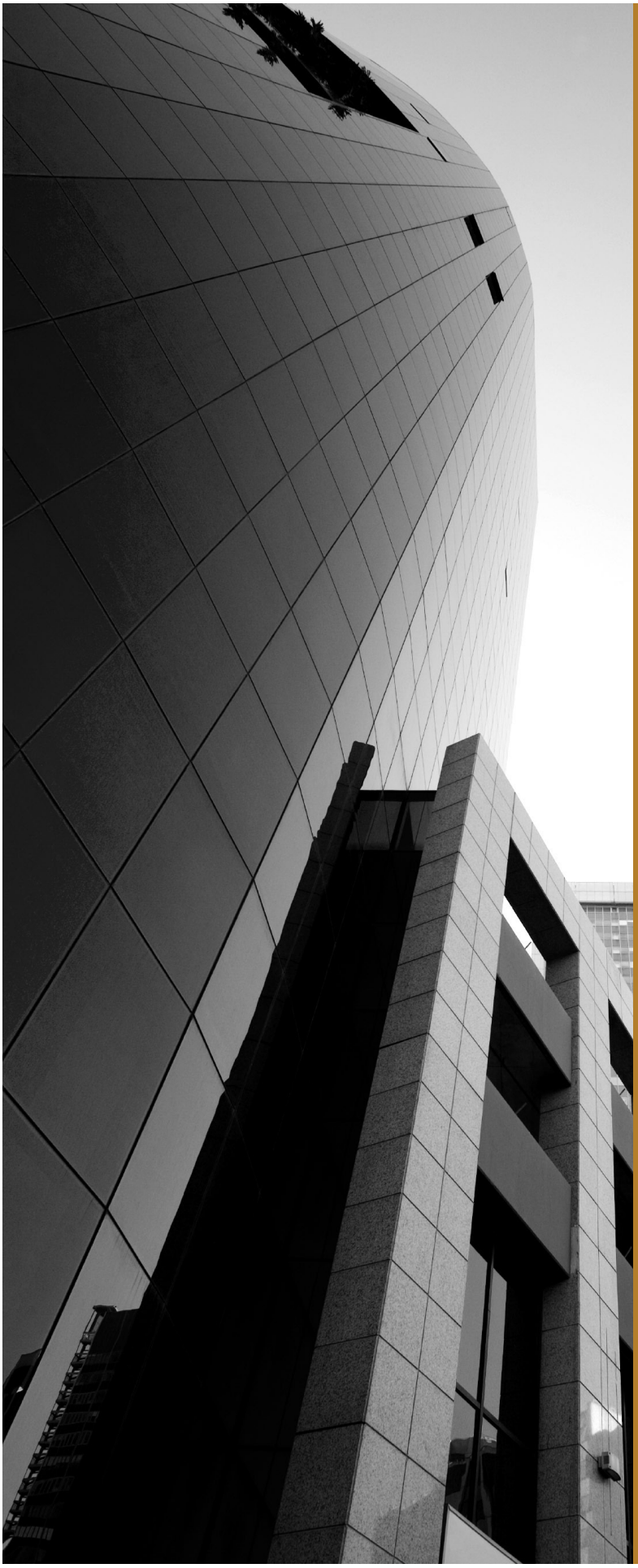
1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes only the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as Federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and Federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level for the general, special and Federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2010, the General Assembly approved a net increase in General Fund appropriations of $195,752,000. Appropriations for programs funded in whole or in part from the special or Federal funds may permit expenditures in excess of original special or Federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and Federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and Federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances-Budget and Actual-for the year ended June 30, 2010. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2010, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances" immediately following the budgetary schedule.


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COMBINING FINANCIAL STATEMENTS

STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Fund

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, Federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2010
(Expressed in Thousands)

	Debt Service Funds			Total
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	Non-major Governmental Funds
Assets:				
Investments			$270,478	$270,478
Intergovernmental receivables			6,402	6,402
Other accounts receivable			49	49
Restricted assets:				
Cash with fiscal agent	$ 12,821	$1,126		13,947
Equity in pooled invested cash	105,315			105,315
Taxes receivable, net	26,329			26,329
Other accounts receivable	92			92
Due from other funds	2,425			2,425
Loans and notes receivable, net	3,256			3,256
Total assets	$150,238	$1,126	$276,929	$428,293
Liabilities:				
Vouchers payable			$53,275	$ 53,275
Accounts payable and accrued liabilities			25,652	25,652
Due to other funds			54,830	54,830
Accounts payable to political subdivisions			54,673	54,673
Deferred revenue	$ 47			47
Total liabilities	47		188,430	188,477
Fund balances:				
Spendable:				
Restricted	150,191	1,126		151,317
Committed			447,295	447,295
Unassigned			(358,796)	(358,796)
Total fund balances	150,191	1,126	88,499	239,816
Total liabilities and fund balances	$150,238	$1,126	$276,929	$428,293

STATE OF MARYLAND

Combining Statement of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances Non-major Governmental Funds

For The Year Ended June 30, 2010

(Expressed in Thousands)

	Debt Service Funds			Total
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	Non-major Governmental Funds
Revenues:				
Property taxes	$746,826			$ 746,826
Interest and other investment income	763	$ 10	$ 431	1,204
Federal revenue	857			857
Other	405			405
Total revenues	748,851	10	431	749,292
Expenditures:				
Education			300,958	300,958
Aid to higher education			264,178	264,178
Intergovernmental grants and revenue sharing			298,764	298,764
Capital outlays			107,285	107,285
Debt service:				
Principal retirement	482,753	77,595		560,348
Interest	292,878	73,359		366,237
Bond issuance costs			8,349	8,349
Total expenditures	775,631	150,954	979,534	1,906,119
Deficiency of revenues under expenditures	(26,780)	(150,944)	(979,103)	(1,156,827)
Other sources (uses) of financial resources :				
Bonds issued	132		1,140,751	1,140,883
Refunding bonds issued			798,080	798,080
Bond premium	63,089		133,234	196,323
Payments to refunded bond escrow agent			(924,185)	(924,185)
Transfers in	2,925	145,037	94,029	241,991
Transfers out			(197,190)	(197,190)
Total other sources of financial resources	66,146	145,037	1,044,719	1,255,902
Net changes in fund balances	39,366	(5,907)	65,616	99,075
Fund balances, beginning of the year	110,825	7,033	22,883	140,741
Fund balances, end of the year	$150,191	$ 1,126	$ 88,499	$ 239,816

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2010

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Assets -			
Current assets:			
Equity in pooled invested cash	$105,706	$11,059	$ 116,765
Other accounts receivable		4,098	4,098
Inventories		10,151	10,151
Loans and notes receivable, net	41		41
Other assets	88	134	222
Total current assets	105,835	25,442	131,277
Non-current assets:			
Investments	1,476		1,476
Loans and notes receivable, net	442		442
Capital assets, net of accumulated depreciation:			
Structures and improvements		1,016	1,016
Equipment		6,286	6,286
Infrastructure		54	54
Construction in progress		1,738	1,738
Total non-current assets	1,918	9,094	11,012
Total assets	107,753	34,536	142,289
Liabilities -			
Current liabilities:			
Accounts payable and accrued liabilities	87	1,532	1,619
Accrued insurance on loan losses	13,837		13,837
Other liabilities	483	1,016	1,499
Unearned revenue	2,336	241	2,577
Total current liabilities	16,743	2,789	19,532
Non-current liabilities:			
Other liabilities	1,623	611	2,234
Total non-current liabilities	1,623	611	2,234
Total liabilities	18,366	3,400	21,766
Net Assets -			
Invested in capital assets, net of related debt		9,094	9,094
Restricted for insurance programs	103,379		103,379
Unrestricted (deficit)	(13,992)	22,042	8,050
Total net assets	$ 89,387	$31,136	$120,523

STATE OF MARYLAND

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2010

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Operating revenues:			
Charges for services and sales	$ 1,838	$50,433	$ 52,271
Unrestricted interest on loan income	536		536
Other	35		35
Total operating revenues	2,409	50,433	52,842
Operating expenses:			
Cost of sales and services		40,908	40,908
General and administrative	2,845	7,607	10,452
Depreciation and amortization		1,450	1,450
Provision for insurance on loan losses	1,402		1,402
Total operating expenses	4,247	49,965	54,212
Operating income (loss)	(1,838)	468	(1,370)
Non-operating revenues (expenses):			
Restricted investment income	2,182		2,182
Other		(1,155)	(1,155)
Total non-operating revenues (expenses)	2,182	(1,155)	1,027
Income (loss) before transfers	344	(687)	(343)
Transfers out	(5,730)	(500)	(6,230)
Changes in net assets	(5,386)	(1,187)	(6,573)
Total net assets - beginning of the year	94,773	32,323	127,096
Total net assets - end of the year	$89,387	$31,136	$120,523

STATE OF MARYLAND

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2010

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	$ 1,212	$ 50,467	$ 51,679
Payments to suppliers		(32,469)	(32,469)
Payments to employees	(2,077)	(15,413)	(17,490)
Other receipts	5,982	2,215	8,197
Other payments	(1,569)		(1,569)
Net cash from operating activities	3,548	4,800	8,348
Cash flows from noncapital financing activities:			
Transfers out	(5,730)	(1,622)	(7,352)
Net cash from noncapital financing activities	(5,730)	(1,622)	(7,352)
Cash flows from capital and related financing activities:			
Payments on interfund borrowings		(1,407)	(1,407)
Acquisition of capital assets		(3,327)	(3,327)
Net cash from capital and related financing activities		(4,734)	(4,734)
Cash flows from investing activities:			
Interest on investments	2,182		2,182
Net cash from investing activities	2,182		2,182
Net change in cash and cash equivalents		(1,556)	(1,556)
Balance - beginning of the year		1,556	1,556
Balance - end of the year	$ -	$ -	$ -
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss)	$ (1,838)	$ 468	$(1,370)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization		1,450	1,450
Effect of changes in non-cash operating assets and liabilities:			
Equity in pooled invested cash	5,370	2,215	7,585
Other accounts receivable		296	296
Inventories		927	927
Loans and notes receivable	30		30
Other assets	(346)	85	(261)
Accounts payable and accrued liabilities	(6)	(399)	(405)
Accrued insurance on loan losses	558		558
Unearned revenue	(595)	(262)	(857)
Other liabilities	375	20	395
Net cash from operating activities	$ 3,548	$ 4,800	$ 8,348

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and fund equities of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

STATE OF MARYLAND

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefits Trust Funds
June 30, 2010

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2009	Total
Assets:				
Cash and cash equivalents	$ 1,630,332	$ 3,597	$ 10,966	$ 1,644,895
Investments:				
U.S. Treasury and agency obligations	1,228,018	12,204		1,240,222
Bonds	2,877,201	15,717		2,892,918
Corporate equity securities	13,098,230	62,116		13,160,346
Mortgage related securities	1,670,334	6,440		1,676,774
Mutual funds	1,600,601		1,424,333	3,024,934
Guaranteed investment contracts			744,569	744,569
Real estate	1,210,954	1,508		1,212,462
Annuity contracts			112,712	112,712
Private equity	1,585,865			1,585,865
Alternative investments	2,602,738	19,262		2,622,000
Investments held by borrowers under securities lent with cash collateral	4,496,980			4,496,980
Total investments	30,370,921	117,247	2,281,614	32,769,782
Other receivables	1,052,444	10,452	24,186	1,087,082
Collateral for lent securities	4,630,233			4,630,233
Total assets	37,683,930	131,296	2,316,766	40,131,992
Liabilities:				
Accounts payable and accrued liabilities	1,130,060	1,852		1,131,912
Collateral obligation for lent securities	4,630,233			4,630,233
Total liabilities	5,760,293	1,852		5,762,145
Net assets:				
Held in trust for :				
Pension benefits	31,923,637	129,444		32,053,081
Deferred compensation benefits			2,316,766	2,316,766
Total net assets	$31,923,637	$129,444	$2,316,766	$34,369,847

STATE OF MARYLAND

Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefits Trust Funds

For the Year Ended June 30, 2010

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2009	Total
Additions:				
Contributions:				
Employers	$ 504,701	$ 37,761	$ 3,102	$ 545,564
Members	535,581		161,570	697,151
Sponsors	804,220			804,220
Total contributions	1,844,502	37,761	164,672	2,046,935
Investment earnings:				
Net appreciation in fair value of investments	3,331,348	4,100	335,160	3,670,608
Interest	310,597	7,875	30,100	348,572
Dividends	516,723			516,723
Real estate operating net earnings	20,890			20,890
Total investment income	4,179,558	11,975	365,260	4,556,793
Less: investment expense	163,199			163,199
Net investment income	4,016,359	11,975	365,260	4,393,594
Total additions	5,860,861	49,736	529,932	6,440,529
Deductions:				
Benefit payments	2,445,540	21,754	137,083	2,604,377
Refunds	33,531			33,531
Administrative expenses	28,627	566	3,333	32,526
Total deductions	2,507,698	22,320	140,416	2,670,434
Changes in net assets	3,353,163	27,416	389,516	3,770,095
Net assets held in trust for pension and other employee benefits:				
Beginning of the year	28,570,474	102,028	1,927,250	30,599,752
End of the year	$31,923,637	$129,444	$2,316,766	$34,369,847

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Assets
Maryland State Retirement and Pension System
June 30, 2010
(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash and cash equivalents	$ 989,812	$ 517,468	$ 20,523	$ 79,048	$ 23,481	$ 1,630,332		$ 1,630,332
Investments, at fair value	18,356,692	10,448,592	233,680	919,844	412,113	30,370,921		30,370,921
Other receivables	594,184	404,842	7,715	31,014	14,689	1,052,444		1,052,444
Due from other systems	13	88			124	225	$(225)	
Collateral for lent securities	3,024,818	1,490,992	38,495	8,278	67,650	4,630,233		4,630,233
Total assets	22,965,519	12,861,982	300,413	1,038,184	518,057	37,684,155	(225)	37,683,930
Liabilities:								
Accounts payable and accrued liabilities	684,119	387,553	8,828	34,289	15,271	1,130,060		1,130,060
Due to other systems	72	134		18	1	225	(225)	
Collateral obligation for lent securities	3,024,818	1,490,992	38,495	8,278	67,650	4,630,233		4,630,233
Total liabilities	3,709,009	1,878,679	47,323	42,585	82,922	5,760,518	(225)	5,760,293
Net Assets:								
Held in trust for pension benefits	$19,256,510	$10,983,303	$253,090	$995,599	$435,135	$31,923,637	$ -	$31,923,637

*Intersystem due from/due to have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Assets
Maryland State Retirement and Pension System
For the Year Ended June 30, 2010
(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers	$ 20,110	$ 391,931	$ 19,439	$ 25,465	$ 47,756	$ 504,701		$ 504,701
Members	319,989	201,362	1,800	6,671	5,759	535,581		535,581
Sponsors	800,757	2,947	516			804,220		804,220
Total contributions	1,140,856	596,240	21,755	32,136	53,515	1,844,502		1,844,502
Investment earnings:								
Net increase in fair value of investments	2,017,953	1,143,448	24,401	103,712	41,834	3,331,348		3,331,348
Interest	187,507	107,042	2,351	9,647	4,050	310,597		310,597
Dividends	312,316	177,819	3,789	16,325	6,474	516,723		516,723
Real estate operating net earnings	12,614	7,199	156	655	266	20,890		20,890
Total investment income	2,530,390	1,435,508	30,697	130,339	52,624	4,179,558		4,179,558
Less investment expense	98,453	56,369	1,233	5,032	2,112	163,199		163,199
Net investment income	2,431,937	1,379,139	29,464	125,307	50,512	4,016,359		4,016,359
Transfers from other systems	1,058	335	1		276	1,670	$(1,670)	
Total additions	3,573,851	1,975,714	51,220	157,443	104,303	5,862,531	(1,670)	5,860,861
Deductions:								
Benefit payments	1,455,248	835,569	23,816	94,255	36,652	2,445,540		2,445,540
Refunds	17,197	15,478		500	356	33,531		33,531
Administrative expenses	15,195	12,853	39	196	344	28,627		28,627
Transfers to other systems	1,049	585		31	5	1,670	(1,670)	
Total deductions	1,488,689	864,485	23,855	94,982	37,357	2,509,368	(1,670)	2,507,698
Changes in net assets	2,085,162	1,111,229	27,365	62,461	66,946	3,353,163		3,353,163
Net assets held in trust for pension benefits:								
Beginning of the year	17,171,348	9,872,074	225,725	933,138	368,189	28,570,474		28,570,474
End of the year	$19,256,510	$10,983,303	$253,090	$995,599	$435,135	$31,923,637	$ -	$31,923,637

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

(Expressed in Thousands)

	Agency Funds					
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds
Assets:						
Cash and cash equivalents		$ 10	$54,942		$77,730	$ 132,682
Equity in pooled invested cash	$ 369,233	79,886	10,803	$470	5,370	465,762
Taxes receivable, net	238,885					238,885
Intergovernmental receivables	375,309			160		375,469
Other receivables		2,288				2,288
Accounts receivable from State treasury	350,000					350,000
Total assets	$1,333,427	$82,184	$65,745	$630	$83,100	$1,565,086
Liabilities:						
Accounts payable and accrued liabilities		$82,184		$630	$80,988	$ 163,802
Accounts payable to political subdivisions	$1,333,427		$65,745		2,112	1,401,284
Total liabilities	$1,333,427	$82,184	$65,745	$630	$83,100	$1,565,086

STATE OF MARYLAND

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

(Expressed in Thousands)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Litigant, Patient and Prisoner Accounts				
Assets:				
Cash and cash equivalents	$ 87,837	$ 86,890	$ 96,997	$ 77,730
Equity in pooled invested cash	5,608	18,977	19,215	5,370
Total assets	$ 93,445	$ 105,867	$ 116,212	$ 83,100
Liabilities:				
Accounts payable and accrued liabilities	$ 91,996	$ 105,152	$ 116,160	$ 80,988
Accounts payable to political subdivisions	1,449	715	52	2,112
Total liabilities	$ 93,445	$ 105,867	$ 116,212	$ 83,100
Insurance Premium Taxes				
Assets:				
Cash and cash equivalents	$ 10			$ 10
Equity in pooled invested cash	76,642	$ 29,492	$ 26,248	79,886
Other receivables	2,410		122	2,288
Total assets	$ 79,062	$ 29,492	$ 26,370	$ 82,184
Liabilities:				
Accounts payable and accrued liabilities	$ 79,062	$ 29,492	$ 26,370	$ 82,184
Local Income Taxes				
Assets:				
Equity in pooled invested cash	$ 710,098	$ 3,540,568	$3,881,433	$ 369,233
Taxes receivable	224,108	238,885	224,108	238,885
Intergovernmental receivables	366,779	8,530		375,309
Accounts receivable from State treasury		350,000		350,000
Total assets	$1,300,985	$4,137,983	$4,105,541	$1,333,427
Liabilities:				
Accounts payable to political subdivisions	$1,300,985	$4,137,983	$4,105,541	$1,333,427
Local Transportation Funds and Other Taxes				
Assets:				
Cash and cash equivalents	$ 72,580		$ 17,638	$ 54,942
Equity in pooled invested cash	9,082	$ 110,317	108,596	10,803
Total assets	$ 81,662	$ 110,317	$ 126,234	$ 65,745
Liabilities:				
Accounts payable and accrued liabilities	$ 1,240		$ 1,240	
Accounts payable to political subdivisions	80,422	$ 110,317	124,994	$ 65,745
Total liabilities	$ 81,662	$ 110,317	$ 126,234	$ 65,745
Payroll Taxes and Fringe Benefits				
Assets:				
Equity in pooled invested cash	$ 529	$1,391,380	$1,391,439	$ 470
Intergovernmental receivables		199	39	160
Total assets	$ 529	$1,391,579	$1,391,478	$ 630
Liabilities:				
Accounts payable and accrued liabilities	$ 529	$1,391,579	$1,391,478	$ 630
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	$ 160,427	$ 86,890	$ 114,635	$ 132,682
Equity in pooled invested cash	801,959	5,090,734	5,426,931	465,762
Taxes receivable	224,108	238,885	224,108	238,885
Intergovernmental receivables	366,779	8,729	39	375,469
Other receivables	2,410		122	2,288
Accounts receivable from State treasury…		350,000		350,000
Total assets	$1,555,683	$5,775,238	$5,765,835	$1,565,086
Liabilities:				
Accounts payable and accrued liabilities	$ 172,827	$1,526,223	$1,535,248	$ 163,802
Accounts payable to political subdivisions	1,382,856	4,249,015	4,230,587	1,401,284
Total liabilities	$ 1,555,683	$5,775,238	$5,765,835	$1,565,086

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

STATE OF MARYLAND

Combining Statement of Net Assets
Non-major Component Units
June 30, 2010

(Expressed in Thousands)

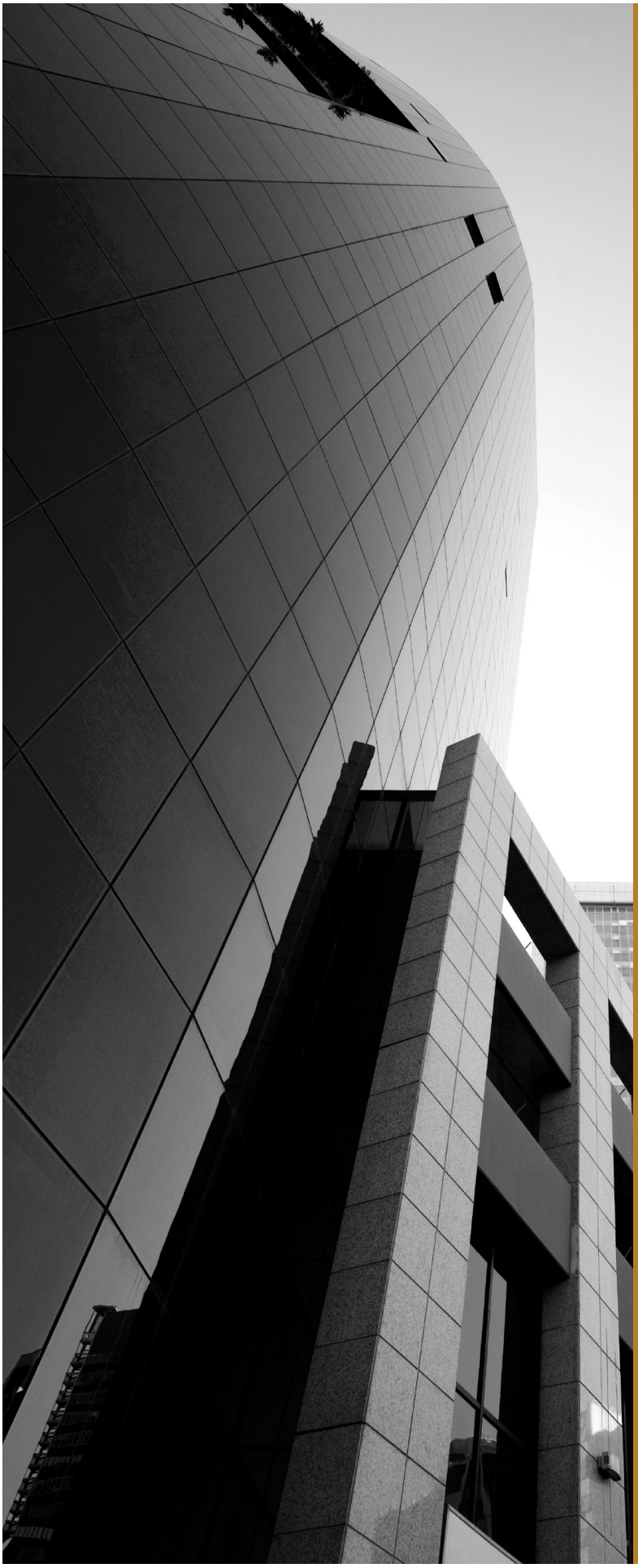
	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash and cash equivalents	$24,850		$ 3	$ 4,287	$ 29,140
Equity in pooled invested cash		$37,710	3,415		41,125
Investments	6,830			6,095	12,925
Other accounts receivable	13,939		163	15,428	29,530
Loans and notes receivable, net			450	190	640
Investments in direct financing leases..	4,134				4,134
Other assets	4,830		13	125	4,968
Restricted assets:					
Cash	2,421				2,421
Investments	12,440				12,440
Capital assets, net of accumulated depreciation:					
Land	2,913		5,103		8,016
Structures and improvements	11,533		13,870		25,403
Infrastructure	502				502
Equipment	6,763		647	23	7,433
Construction in progress	13,841		1,652		15,493
Total assets	104,996	37,710	25,316	26,148	194,170
Liabilities:					
Accounts payable and accrued liabilities	11,140		150	19,849	31,139
Unearned revenue		219	167	1,702	2,088
Accrued insurance on loan losses….		3,831			3,831
Other liabilities			227		227
Bonds and notes payable:					
Due within one year	13,564				13,564
Due in more than one year	4,540				4,540
Other noncurrent liabilities:					
Due within one year	29,009		82		29,091
Due in more than one year	24,024		51		24,075
Total liabilities	82,277	4,050	677	21,551	108,555
Net Assets:					
Invested in capital assets, net of related debt	13,085		21,271	23	34,379
Restricted for capital improvements and deposits	10		105		115
Unrestricted	9,624	33,660	3,263	4,574	51,121
Total net assets	$22,719	$33,660	$24,639	$ 4,597	$ 85,615

STATE OF MARYLAND

Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2010

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Expenses:					
General and administrative	$ 9,511	$ 2,205	$ 1,130	$ 530	$ 13,376
Operation and maintenance of facilities	106,163		2,388		108,551
Interest on long-term debt	980				980
Depreciation and amortization	2,341		762	17	3,120
Other	1,566	2,500		20,987	25,053
Total expenses	120,561	4,705	4,280	21,534	151,080
Program revenues:					
Charges for services and sales	124,149	6,213	4,610	37	135,009
Restricted investment earnings	25				25
Total charges for services	124,174	6,213	4,610	37	135,034
Operating grants and contributions	581			20,870	21,451
Total program revenues	124,755	6,213	4,610	20,907	156,485
Net program revenue (expense)	4,194	1,508	330	(627)	5,405
General revenues:					
Unrestricted investment earnings	70	816	83	355	1,324
Total general revenues	70	816	83	355	1,324
Changes in net assets	4,264	2,324	413	(272)	6,729
Net assets - beginning of the year	18,455	31,336	24,226	4,869	78,886
Net assets - end of the year	$22,719	$33,660	$24,639	$ 4,597	$ 85,615



STATISTICAL SECTION

Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's economic condition.

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Financial Trends
These schedules contain trend information to help the reader understand how the State's financial position and well-being have changed over time..... 131

Revenue Capacity
These schedules contain information to help the reader assess the State's most significant own-source revenues 138

Debt Capacity
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future 143

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place 148

Operating Information
These schedules contain service data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs 152

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement No. 34 in 2002. The schedules presenting government-wide information include information beginning in that year.

STATE OF MARYLAND
Net Assets by Component, Primary Government
Last Nine Fiscal Years*
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
Invested in capital assets, net of related debt	$13,796,006	$14,381,207	$14,267,201	$13,853,102	$13,405,751	$12,940,305	$11,937,207	$11,943,249	$11,016,638
Restricted**	154,372	126,583	87,879	88,808	149,621	145,607	114,327	75,478	70,558
Unrestricted (deficit)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)	140,553	(668,169)	(1,046,233)	(1,239,572)	406,557
Total governmental activities net assets	$7,285,542	$9,355,330	$12,081,097	$13,382,592	$13,695,925	$12,417,743	$11,005,301	$10,779,155	$11,493,753
Business-type activities:									
Invested in capital assets, net of related debt	$1,554,706	$1,368,562	$1,685,176	$1,613,891	$1,303,668	$1,217,923	$1,331,400	$1,231,338	$1,217,578
Restricted	2,281,572	2,321,225	2,421,939	1,835,767	1,901,771	1,828,027	1,556,170	1,518,996	1,378,025
Unrestricted	1,453,631	1,498,587	1,250,324	1,725,338	1,670,224	1,450,868	1,197,542	1,208,954	1,610,282
Total business-type activities net assets	$5,289,909	$5,188,374	$5,357,439	$5,174,996	$4,875,663	$4,496,818	$4,085,112	$3,959,288	$4,205,885
Primary government:									
Invested in capital assets, net of related debt	$15,350,712	$15,749,769	$15,952,377	$15,466,993	$14,709,419	$14,158,228	$13,268,607	$13,174,587	$12,234,216
Restricted	2,435,944	2,447,808	2,509,818	1,924,575	2,051,392	1,973,634	1,670,497	1,594,474	1,448,583
Unrestricted (deficit)	(5,211,205)	(3,653,873)	(1,023,659)	1,166,020	1,810,777	782,699	151,309	(30,618)	2,016,839
Total primary government net assets	$12,575,451	$14,543,704	$17,438,536	$18,557,588	$18,571,588	$16,914,561	$15,090,413	$14,738,443	$15,699,638

*Information for fiscal years prior to fiscal year ended June 30, 2002, is not available.

**Information for fiscal years prior to fiscal year ended June 30, 2006, has been restated to reflect reclassifications of certain restricted and unrestricted balances.

STATE OF MARYLAND
Changes in Net Assets
Last Nine Fiscal Years*
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities (1):									
Expenses	$29,909,914	$28,467,897	$26,793,866	$24,691,358	$22,326,398	$21,203,763	$20,382,202	$19,588,410	$18,234,226
Program revenues	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856
Net (expense)/revenue, governmental activities	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)	(12,440,380)	(12,366,422)	(11,654,370)
General revenues and other changes, governmental activities	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102
Change in net assets, governmental activities	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)	1,278,182	1,412,442	151,822	(714,598)	(445,268)
Net assets, beginning	9,355,330	12,081,097	13,382,592	13,695,925	12,417,743	11,005,301	10,779,155	11,493,753	3,371,858
Restatement (2)		(177,868)					74,324		8,567,163
Net assets, ending, governmental activities	$7,285,542	$9,355,330	$12,081,097	$13,382,592	$13,695,925	$12,417,743	$11,005,301	$10,779,155	$11,493,753
Business-type activities (1):									
Expenses	$3,905,705	$3,191,998	$2,308,944	$2,204,570	$2,018,125	$1,980,350	$2,038,850	$2,191,318	$1,960,333
Program revenues	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895	2,097,340
Net (expense)/revenue, business-type activities.	722,567	131,652	634,575	618,231	832,261	775,336	555,958	148,577	137,007
General revenues and other changes, business-type activities	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)	(99,232)
Change in net assets, business-type activities	116,841	(311,504)	182,443	299,333	378,845	378,765	125,824	(246,597)	37,775
Net assets, beginning	5,188,374	5,357,439	5,174,996	4,875,663	4,496,818	4,085,112	3,959,288	4,205,885	2,995,032
Restatement (2)	(15,306)	142,439				32,941			1,173,078
Net assets, ending, business-type activities	$5,289,909	$5,188,374	$5,357,439	$5,174,996	$4,875,663	$4,496,818	$4,085,112	$3,959,288	$4,205,885
Primary government:									
Expenses	$33,815,619	$31,659,895	$29,102,810	$26,895,928	$24,344,523	$23,184,113	$22,421,052	$21,779,728	$20,194,559
Program revenues	16,835,978	13,500,674	11,612,670	11,492,366	10,924,297	10,704,188	10,536,630	9,561,883	8,677,196
Net (expense)/revenue, primary government	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)	(11,884,422)	(12,217,845)	(11,517,363)
General revenues and other changes, primary government	15,026,694	15,299,818	16,371,088	15,389,562	15,077,253	14,271,132	12,162,068	11,256,650	11,109,870
Change in net assets, primary government	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)	1,657,027	1,791,207	277,646	(961,195)	(407,493)
Net assets, beginning	14,543,704	17,438,536	18,557,588	18,571,588	16,914,561	15,090,413	14,738,443	15,699,638	6,366,890
Restatement	(15,306)	(35,429)				32,941	74,324		9,740,241
Net assets, ending, primary government	$12,575,451	$14,543,704	$17,438,536	$18,557,588	$18,571,588	$16,914,561	$15,090,413	$14,738,443	$15,699,638

*Information for fiscal years prior to fiscal year ended June 30, 2002 is not available.

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

(2) The beginning net assets for fiscal year 2002 were restated due to implementation of GASB Statement No. 34 and for fiscal year 2004 due to implementation of GASB Technical Bulletin No. 2004-1. The beginning net assets for fiscal year 2005 were restated for a change in accounting principles regarding the valuation of investments by the State Lottery Agency. Prior years' balances were not restated. Beginning net assets balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Tranportation Authority in the business-type activities. Beginning net assets were restated for fiscal year 2010 due to implementation of GASB Statement No. 53.

STATE OF MARYLAND
Expenses by Funcion, Primary Government
Last Nine Fiscal Years*
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,								
Functions / Programs	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
General government	$ 837,542	$ 835,858	$ 815,107	$ 712,936	$ 693,074	$ 747,486	$ 598,116	$ 665,133	$ 610,560
Health and mental hygiene	9,174,006	8,398,880	7,648,495	7,400,023	6,588,057	6,202,439	6,090,102	5,592,272	4,908,418
Education	7,294,358	7,173,417	6,834,608	6,469,864	5,701,642	5,180,165	4,871,972	4,229,670	4,124,255
Aid for higher education**	1,908,027	1,878,043	1,851,379	1,299,090	1,103,514	1,074,048	1,081,099	1,554,955	1,536,851
Human resources	2,401,029	2,163,217	1,859,485	1,647,583	1,622,945	1,595,093	1,586,022	1,633,461	1,536,124
Public safety	2,119,696	2,134,038	2,100,098	1,852,861	1,674,995	1,498,684	1,398,017	1,338,202	1,194,952
Transportation	3,460,865	3,202,687	3,054,406	2,913,259	2,382,539	1,912,602	1,839,205	1,694,321	1,630,724
Judicial	654,605	682,324	633,844	541,713	506,787	476,253	439,576	429,302	408,571
Labor, licensing and regulation	253,977	204,027	186,470	168,022	157,675	170,344	175,551	182,584	173,625
Natural resources and recreation	187,525	219,060	179,682	166,751	181,682	184,599	169,791	168,107	149,372
Housing and community development	319,721	248,334	247,515	229,008	217,544	212,753	202,278	203,946	168,595
Environment	121,957	123,854	108,273	92,977	84,973	78,238	85,382	95,079	87,432
Agriculture	57,275	94,930	82,163	59,294	56,706	55,985	46,427	85,426	64,395
Business and economic development	78,701	94,584	97,991	66,405	57,093	58,127	58,666	43,387	55,570
Intergovernmental grants	635,467	624,475	742,398	738,973	979,450	1,453,408	1,461,133	1,422,007	1,375,043
Interest	405,163	390,169	351,952	332,599	317,722	303,539	278,865	250,558	209,739
Total governmental activities expenses	29,909,914	28,467,897	26,793,866	24,691,358	22,326,398	21,203,763	20,382,202	19,588,410	18,234,226
Business-type activities:									
Economic development - insurance programs	4,247	8,881	4,759	1,545	11	(132)	(4,911)	2,938	5,262
Economic development - general loan programs	13,501	30,586	21,547	181,394	19,129	31,010	53,237	48,633	69,381
Economic development - water quality loan programs	99,911	43,245	42,409	8,465	26,045	10,574	11,348	11,510	11,892
Economic development - housing loan programs	201,077	210,603	189,906	58,816	131,420	138,723	135,717	213,404	210,469
Unemployment insurance program	2,004,334	1,330,465	544,109	445,877	403,776	432,125	581,634	633,904	550,345
Maryland State Lottery	1,205,310	1,207,171	1,133,587	1,094,065	1,061,295	1,005,275	927,941	883,736	867,910
Maryland Transportation Authority	327,360	308,383	325,721	368,170	334,905	324,838	300,072	359,015	205,831
Maryland Correctional Enterprises	49,965	52,664	46,906	46,238	41,544	37,937	33,812	38,178	39,243
Total business-type activities expenses	3,905,705	3,191,998	2,308,944	2,204,570	2,018,125	1,980,350	2,038,850	2,191,318	1,960,333
Total primary government expenses	$33,815,619	$31,659,895	$29,102,810	$26,895,928	$24,344,523	$23,184,113	$22,421,052	$21,779,728	$20,194,559

* Information for fiscal years prior to fiscal year ended June 30, 2002 is not available.
** Information for fiscal years 2002 & 2003 has been restated to reflect reclassification of certain expenditures.

STATE OF MARYLAND
Revenues, Primary Government
Last Nine Fiscal Years*
(accrual basis of accounting)

(Expressed in Thousands)

Source	Year ended June 30, 2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
Program revenues:									
Charges for services:									
General government	$ 490,230	$ 616,176	$ 359,589	$ 424,639	$ 301,119	$ 484,933	$ 349,078	$ 325,115	$ 238,480
Health and mental hygiene	948,124	564,677	458,706	417,753	353,211	320,596	289,988	224,300	191,164
Transportation	527,330	508,629	611,002	643,447	583,346	580,691	716,422	526,253	615,261
Judicial	246,027	252,847	260,145	403,697	415,925	384,985	384,215	276,787	291,546
Other activities	608,284	462,761	377,905	327,765	303,259	298,033	277,720	303,190	271,176
Operating grants and contributions	8,659,808	7,079,697	5,924,816	5,725,441	5,323,300	5,091,053	5,204,906	4,843,927	4,225,374
Capital grants and contributions	727,903	692,237	676,988	726,823	793,751	788,211	719,493	722,416	746,855
Total program revenues	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856
General revenues:									
Taxes:									
Income taxes	7,003,514	7,167,890	7,885,639	7,333,979	7,119,633	6,829,564	5,518,813	5,107,593	4,913,185
Sales and use taxes	3,760,756	3,857,020	3,748,724	3,448,766	3,385,391	3,149,736	2,944,534	2,719,547	2,690,099
Motor vehicle taxes	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255	1,673,260
Tobacco taxes	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016	209,881
Insurance company taxes	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258	193,536
Property taxes	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186	511,543
Estate & inheritance taxes	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484	197,258
Other taxes	294,752	293,391	311,048	309,883	302,106	306,139	300,622	281,550	288,823
Unrestricted investment earnings	167,581	202,682	345,578	350,249	251,388	130,359	48,134	62,611	109,065
Special items								114,200	25,628
Transfers	614,794	461,194	477,936	349,556	457,850	420,820	435,534	409,124	396,824
Total general revenues, special items and transfers	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102
Total revenues, transfers and special items - governmental activities	27,840,126	25,919,998	25,492,371	24,378,025	23,604,580	22,616,205	20,534,024	18,873,812	17,788,958
Business-type activities:									
Program revenues:									
Charges for services:									
Unemployment insurance program	953,711	475,032	440,848	464,411	541,386	590,805	528,238	341,004	254,483 **
Maryland State Lottery	1,711,285	1,699,156	1,673,038	1,577,311	1,560,906	1,485,733	1,395,408	1,322,239	1,306,538
Maryland Transportation Authority	588,427	391,558	425,504	371,468	404,446	359,157	280,098	242,429	189,658
Other activities	359,204	366,916	346,494	333,621	274,918	242,337	203,462	257,859	337,536 **
Operating grants and contributions	1,015,645	390,988	57,635	25,995	27,020	26,206	129,991	136,113	234,993
Capital grants and contributions				49,995	41,710	51,448	57,611	40,251	53,701
Total program revenues	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895	2,376,909

General revenues:									
Unrestricted investment earnings	9,068	18,038	25,804	30,658	4,434	24,249	5,400	13,950	18,023 **
Transfers	(614,794)	(461,194)	(477,936)	(349,556)	(457,850)	(420,820)	(435,534)	(409,124)	(396,824)
Total general revenues and transfers.	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)	(378,801)
Total revenues and transfers - business-type activities	4,022,546	2,880,494	2,491,387	2,503,903	2,396,970	2,359,115	2,164,674	1,944,721	1,998,108
Total primary government revenues, special items, and transfers	$31,862,672	$28,800,492	$27,983,758	$26,881,928	$26,001,550	$24,975,320	$22,698,698	$20,818,533	$19,787,066

*Information for fiscal years prior to the fiscal year ended June 30, 2002, is not available.
**Information for fiscal year 2002 has been restated to reflect reclassification of certain revenues.

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund (2):										
Nonspendable	$ 448,982									
Spendable:										
Restricted	398									
Committed	1,140,676									
Unassigned	(340,964)									
Reserved		$1,363,060	$1,388,192	$2,373,711	$1,490,670	$1,537,565	$1,362,310	$1,295,012	$1,368,973	$1,467,309
Unreserved (deficit)		146,862	1,497,396	885,256	2,041,884	1,084,392	127,127	(110,344)	265,468	989,296
Total general fund	1,249,092	1,509,922	2,885,588	3,258,967	3,532,554	2,621,957	1,489,437	1,184,668	1,634,441	2,456,605
All Other Governmental Funds (2):										
Nonspendable	171,094									
Spendable:										
Restricted	154,386									
Committed	608,854									
Unassigned (1)	(358,796)									
Reserved		574,349	519,013	523,796	599,016	563,511	588,190	554,714	615,866	566,430
Unreserved, reported in:										
Special revenue funds		166,567	(29,236)	162,627	219,737	173,094	199,289	135,710	134,470	400,957
Capital projects funds (1)		(375,595)	(128,045)	(83,260)	(196,454)	(297,322)	(425,038)	(163,001)	(156,587)	222,161
Debt service funds		104,238	54,263	57,132	122,456	115,833	73,268	30,815	25,916	117,127
Total all other governmental funds	575,538	469,559	415,995	660,295	744,755	555,116	435,709	558,238	619,665	1,306,675
Total governmental funds	$1,824,630	$1,979,481	$3,301,583	$3,919,262	$4,277,309	$3,177,073	$1,925,146	$1,742,906	$2,254,106	$3,763,280

(1) The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.
(2) Fund balances for fiscal year 2010 were restated due to implementation of GASB Statement No. 54.

STATE OF MARYLAND
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Income taxes	$6,957,811	$7,156,297	$7,868,899	$7,325,181	$7,108,573	$6,814,378	$5,499,953	$5,080,359	$4,911,807	$5,741,664
Retail sales and use taxes	3,754,326	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676	2,945,060	2,717,383	2,689,567	2,646,103
Motor vehicle taxes and fees	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255	1,673,260	1,589,698
Tobacco taxes	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016	209,881	205,766
Insurance company taxes	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258	193,536	190,579
Property taxes	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186	511,543	563,389
Estate & inheritance taxes	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484	197,258	182,597
Other taxes	294,752	293,391	311,048	309,883	302,106	306,139	300,621	281,550	288,823	298,864
Other licenses and fees	682,756	686,806	651,079	782,712	808,617	759,953	754,995	544,456	610,009	450,768
Charges for services	1,639,917	1,259,309	1,108,666	1,050,187	970,345	978,535	1,044,636	775,852	814,332	875,717
Revenues pledged as security for bonds	89,521	66,098	77,541	70,563	70,593	70,875	52,255	69,108	41,161 (1)	
Interest and other investment income	121,233	161,696	307,403	315,121	219,609	102,532	32,251	51,304	108,214	288,936
Federal	9,386,888	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233	5,872,371	5,506,539	4,931,908	4,451,010
Other	413,762	377,127	214,755	240,671	108,689	331,224	162,748	261,226	153,510	126,379
Total revenues	27,131,989	25,380,831	24,946,967	23,865,413	23,104,267	22,264,630	20,009,455	18,244,976	17,334,809	17,611,470
Expenditures:										
Current:										
General government	762,488	757,186	729,788	716,958	738,472	703,466	627,626	640,205	627,367	586,812
Education	9,104,692	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534	5,919,742	5,779,552	5,675,065	3,888,180
Business and economic development	74,578	90,892	94,503	65,774	56,374	57,287	58,259	43,441	55,418	55,952
Labor, licensing and regulation	226,118	182,751	166,848	164,255	154,607	166,787	174,047	181,835	174,725	177,196
Human resources	2,291,347	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032	1,560,876	1,614,493	1,536,780	1,456,484
Health and mental hygiene	9,040,549	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383	6,064,735	5,545,991	4,893,824	4,483,159
Environment	110,092	106,307	95,918	92,460	83,793	76,393	84,443	95,500	87,447	78,960
Transportation	1,422,085	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622	1,143,520	1,123,911	1,103,756	1,070,893
Public safety	1,773,141	1,824,595	1,835,652	1,790,595	1,606,314	1,435,406	1,357,943	1,326,612	1,265,624	1,533,283
Judicial	556,908	585,778	556,056	527,618	490,861	462,568	434,135	421,702	407,079 (2)	
Housing and community development	315,630	244,208	244,581	228,105	215,940	211,577	202,346	205,501	168,580	121,602
Natural resources and recreation	184,342	205,876	188,675	177,553	165,439	167,018	166,730	175,845	167,160	150,850
Agriculture	92,954	142,804	147,494	101,252	64,044	56,624	60,537	83,384	91,562	75,990
Intergovernmental	1,187,153	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408	1,461,133	1,422,007	1,375,043	1,336,429

Debt service:										
Principal	560,348	536,050	497,300	473,985	485,635	464,650	424,925	421,859	406,850	397,581
Interest	366,237	349,214	315,010	298,007	280,278	258,791	247,027	203,701	202,834	220,466
Capital outlays	1,200,176	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461	1,461,067	1,464,110	1,415,740	1,343,570
Total expenditures	29,268,838	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007	21,449,091	20,749,649	19,654,854	16,977,407
Excess (deficiency) of revenues over expenditures	(2,136,849)	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)	(1,439,636)	(2,504,673)	(2,320,045)	634,063
Other financing sources (uses) :										
Capital leases	15,472	27,945	31,185	56,860	121,197	154,434	145,455	101,814	44,294	70,793
Proceeds from bond issues	1,477,837	1,318,718	1,071,403	831,193	904,907	937,480	898,818	1,196,199	615,846	422,890
Other long-term liabilities			102	2,411	5,320	12,321	142,015	171,239	119,460	
Proceeds from refunding bonds	798,080	69,431				855,840	83,591	685,594	117,458	
Payments to escrow agents	(924,185)	(69,213)				(940,591)	(83,537)	(684,697)	(117,217)	
Transfers in	1,895,049	1,203,021	1,180,435	1,137,421	1,133,853	1,063,529	1,111,330	1,244,595	1,453,353	1,644,746
Transfers out	(1,280,255)	(741,827)	(702,499)	(787,865)	(676,003)	(642,709)	(675,796)	(835,471)	(1,056,529)	(1,302,866)
Transfers to component units									(3)	(1,038,105)
Net other sources (uses) of financial resources	1,981,998	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304	1,621,876	1,879,273	1,176,665	(202,542)
Special items								114,200	25,628 (4)	
Net changes in fund balances	(154,851)	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927	182,240	(511,200)	(1,117,752)	431,521
Fund balance, beginning of the year	1,979,481	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146	1,742,906	2,254,106	3,763,280	3,331,759
Adjustments									(391,422) (5)	
Fund balance, end of the year	$1,824,630	$1,979,481	$3,301,583	$3,919,262	$4,277,309	$3,177,073	$1,925,146	$1,742,906	$2,254,106	$3,763,280
Debt service as a percentage of noncapital expenditures	3.4%	3.4%	3.3%	3.3%	3.6%	3.6%	3.5%	3.4%	3.5%	4.0%

(1) These revenues were previously recorded as Federal revenue.

(2) These expenditures were previously included in public safety.

(3) Effective July 1, 2001, all transactions between the primary government and component units are treated as revenues and expenses.

(4) Includes certain one-time transfers from organizations outside the primary government.

(5) Effective July 1, 2001, the beginning fund balance was restated for inventory. Also, the Maryland Transportation Authority's activities were no longer recorded in the special revenue and debt service funds, and its beginning equity was reclassified from the respective governmental funds to the enterprise funds.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2009

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany	22,541	$ 1,130,348,737	$ 848,088,642	$ 37,962,991	$ 25,066,833	$ 63,029,824	3.05%
Anne Arundel	200,170	16,729,924,264	12,862,148,698	595,651,778	326,102,525	921,754,303	2.56
Baltimore County	306,590	22,328,493,715	16,956,945,220	782,466,411	472,351,946	1,254,818,357	2.83
Calvert	32,570	2,692,670,208	2,007,250,120	92,532,859	55,665,261	148,198,120	2.80
Caroline	10,903	564,571,016	396,332,562	16,505,909	10,036,488	26,542,397	2.63
Carroll	61,941	4,770,279,539	3,565,482,597	164,961,122	107,822,813	272,783,935	3.05
Cecil	34,350	2,166,011,416	1,595,333,774	53,870,624	43,832,898	97,703,522	2.80
Charles	52,824	3,917,331,307	2,798,701,302	127,916,082	80,064,226	207,980,308	2.90
Dorchester	10,955	535,026,085	379,657,949	16,273,970	9,509,881	25,783,851	2.62
Frederick	87,438	6,775,415,193	5,056,036,577	232,442,341	148,154,045	380,596,386	2.96
Garrett	9,607	501,645,402	370,182,467	16,271,167	9,495,620	25,766,787	2.65
Harford	90,804	6,680,591,560	4,985,926,051	227,588,933	150,818,421	378,407,354	3.06
Howard	106,195	11,116,243,371	8,744,087,231	408,360,478	278,254,446	686,614,924	3.20
Kent	6,590	421,853,652	311,535,073	12,752,456	8,706,471	21,458,927	2.85
Montgomery	376,323	39,060,773,506	31,075,877,228	1,410,063,716	987,098,452	2,397,162,168	3.20
Prince George's	321,455	19,286,279,447	12,926,556,205	578,749,555	402,594,689	981,344,244	3.20
Queen Anne's	17,032	1,355,978,934	1,002,387,676	45,355,075	28,280,567	73,635,642	2.85
St. Mary's	36,753	2,747,599,066	2,079,308,307	95,463,205	61,607,224	157,070,429	3.00
Somerset	6,225	283,756,303	199,349,165	8,579,286	5,950,342	14,529,628	3.15
Talbot	13,615	1,152,941,209	892,490,578	41,524,166	19,813,516	61,337,682	2.25
Washington	51,249	2,901,561,518	2,126,027,099	95,625,421	58,042,713	153,668,134	2.80
Wicomico	32,134	1,731,791,000	1,264,934,483	53,698,545	37,812,194	91,510,739	3.10
Worcester	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25
Baltimore City	194,518	9,873,518,506	7,151,587,827	312,983,134	206,901,904	519,885,038	3.05
Non-resident	64,683	6,183,591,116	5,531,327,532	253,016,637		253,016,637	
Total	2,167,033	$166,042,318,097	$125,958,148,150	$5,716,515,763	$3,544,138,125	$9,260,653,888	

(1) See State personal income tax rates schedule for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

State Personal Income Tax and Sales Tax Rates
Calendar Years 2008 - 2010*

Filing Status, Single:		Married, Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
$3,000 - $150,000	4.75%	$3,000 - $200,000	4.75%
$150,001 - $300,000	5.00%	$200,001 - $350,000	5.00%
$300,001 - $500,000	5.25%	$350,001 - $500,000	5.25%
$500,001 - $1,000,000	5.50%	$500,001 - $1,000,000	5.50%
over $1,000,000	6.25%	over $1,000,000	6.25%

Sales Tax Rate: 6%

*Rates effective January 1, 2008

State Personal Income Tax and Sales Tax Rates
Calendar Years 2001 - 2007

	Personal Income Tax Rate				
Year	1st $1,000 of Net Taxable Income	2nd $1,000 of Net Taxable Income	3rd $1,000 of Net Taxable Income	In excess of $3,000 Net Taxable Income	Sales Tax Rate
2007	2 %	3 %	4 %	4.75 %	5 %
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5
2004	2	3	4	4.75	5
2003	2	3	4	4.75	5
2002	2	3	4	4.75	5
2001	2	3	4	4.80	5

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

	2009				2008			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level								
$500,000 and higher	16,589	0.77 %	$901,111	15.76 %	18,490	0.84 %	$1,203,268	19.89 %
$100,000-$499,999	440,514	20.33	2,700,374	47.24	436,125	19.76	2,680,009	44.29
$70,000-$99,999	294,317	13.58	810,590	14.18	299,054	13.55	817,229	13.51
$50,000-$69,999	305,438	14.09	567,707	9.93	309,460	14.02	569,793	9.42
$25,000-$49,999	601,213	27.74	585,150	10.24	619,265	28.05	619,216	10.23
$10,000-$24,999	440,498	20.33	144,875	2.53	445,300	20.17	152,357	2.52
Under $10,000	68,464	3.16	6,709	0.12	79,781	3.61	8,570	0.14
Total	2,167,033	100.00 %	$5,716,516	100.00 %	2,207,475	100.00 %	$6,050,442	100.00 %

	2007				2006			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level								
$500,000 and higher	22,546	0.98 %	$1,343,286	21.49 %	20,188	0.89 %	$1,187,583	20.42 %
$100,000-$499,999	422,874	18.43	2,619,517	41.92	386,236	17.07	2,379,534	40.91
$70,000-$99,999	299,022	13.04	839,000	13.43	290,471	12.83	818,732	14.08
$50,000-$69,999	310,886	13.55	591,121	9.46	303,484	13.41	577,995	9.94
$25,000-$49,999	636,783	27.76	669,599	10.71	637,570	28.17	666,375	11.46
$10,000-$24,999	482,515	21.03	174,561	2.79	501,656	22.16	172,923	2.97
Under $10,000	119,277	5.20	12,218	0.20	123,697	5.47	13,275	0.23
Total	2,293,903	100.00 %	$6,249,302	100.00 %	2,263,302	100.00 %	$5,816,417	100.00 %

	2005				2004			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level								
$500,000 and higher	18,394	0.82 %	$1,064,405	19.41 %				
$100,000-$499,999	354,202	15.84	2,185,588	39.85				
$70,000-$99,999	282,940	12.66	804,574	14.67				
$50,000-$69,999	298,942	13.37	573,615	10.46				
$25,000-$49,999	636,912	28.49	667,108	12.16				
$10,000-$24,999	511,948	22.90	174,268	3.18				
Under $10,000	132,317	5.92	14,411	0.26				
Total	2,235,655	100.00 %	$5,483,969	100.00 %				

	2004			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
$100,000 and higher	322,388	15.04 %	$2,473,983	53.06 %
$75,000-$99,999	213,573	9.96	638,382	13.69
$50,000-$74,999	347,875	16.23	703,769	15.09
$25,000-$49,999	626,618	29.23	661,464	14.19
$10,000-$24,999	507,779	23.69	171,094	3.67
Under $10,000	125,426	5.85	13,758	0.30
Total	2,143,659	100.00 %	$4,662,450	100.00 %

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

(continued)

	2003				2002			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level								
$100,000 and higher	289,448	13.75 %	$2,107,257	49.48 %	269,980	12.87 %	$1,924,320	47.10 %
$75,000-$99,999	205,607	9.77	611,558	14.36	201,154	9.59	597,359	14.62
$50,000-$74,999	345,285	16.40	695,499	16.33	346,786	16.53	700,379	17.15
$25,000-$49,999	626,336	29.76	660,343	15.51	631,516	30.10	672,903	16.47
$10,000-$24,999	513,506	24.40	170,481	4.00	523,825	24.97	176,215	4.31
Under $10,000	124,623	5.92	13,594	0.32	124,636	5.94	14,180	0.35
Total	2,104,805	100.00 %	$4,258,732	100.00 %	2,097,897	100.00 %	$4,085,356	100.00 %

	2001				2000			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level								
$100,000 and higher	259,490	12.33 %	$1,935,778	46.45 %	249,751	11.88 %	$2,079,398	47.90 %
$75,000-$99,999	195,174	9.27	596,649	14.32	186,436	8.86	586,145	13.50
$50,000-$74,999	343,206	16.31	715,851	17.18	335,542	15.95	720,951	16.61
$25,000-$49,999	635,022	30.18	710,635	17.05	623,894	29.66	729,468	16.80
$10,000-$24,999	535,255	25.44	192,110	4.61	552,841	26.29	206,352	4.75
Under $10,000	136,244	6.47	16,364	0.39	154,889	7.36	19,193	0.44
Total	2,104,391	100.00 %	$4,167,387	100.00 %	2,103,353	100.00 %	$4,341,507	100.00 %

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2010	$864,941	$189,057	$705,121	$239,813	$347,243	$445,706	$370,435	$92,241	$484,910	$14,310	$3,753,777
2009	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292
2008	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922
2007	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839
2006	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696
2005	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676
2004	591,744	144,961	538,364	216,385	333,307	417,729	231,099	78,351	387,780	29,721	2,969,441
2003	555,108	133,363	504,099	202,927	314,144	359,468	218,537	70,427	362,003	17,165	2,737,241
2002	542,276	132,067	489,102	197,122	315,080	365,132	214,839	72,343	359,394	21,184	2,708,539
2001	519,182	131,930	483,137	193,744	342,499	348,702	228,701	73,417	330,213	17,534	2,669,059

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Nine Fiscal Years*

(Dollars Expressed in Thousands except Per Capita)

	General Bonded Debt		Other Governmental Activities Debt				Debt Ratios, Governmental Activities		Business-Type Activities Debt				Debt Ratios, Primary Government	
Fiscal Year	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt / Other Liabilities(2)	Capital Leases with Component Units	Total Governmental Activities Debt	Percentage of Personal Income (1)	Per Capita (1)	Revenue Bonds	Capital Leases	Total Business-Type Activities Debt	Total Primary Government Debt	Percentage of Personal Income (1)	Per Capita (1)
2010	$6,523,222	$1,645,010	$798,201		$232,762	$9,199,195	3.31%	$1,614	$6,161,633	$5,261	$6,166,894	$15,366,089	5.53%	$2,696
2009	5,873,643	1,582,605	848,208		250,407	8,554,863	3.14	1,519	5,422,501	5,748	5,428,249	13,983,112	5.13	2,482
2008	5,493,830	1,268,815	515,134	$373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	5,041,987	12,958,852	4.94	2,307
2007	5,142,154	1,111,050	535,482	391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071
2006	4,868,472	1,079,340	519,592	404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	2,884,111	10,048,975	4.31	1,803
2005	4,511,826	1,071,620	440,236	409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	2,826,988	9,564,477	4.34	1,727
2004	4,102,278	1,188,090	345,028	400,813	303,901	6,340,110	3.08	1,154	2,935,711	3,132	2,938,843	9,278,953	4.51	1,689
2003	3,932,493	964,400	262,792	264,099	296,672	5,720,456	2.88	1,053	3,220,797	2,371	3,223,168	8,943,624	4.50	1,646
2002	3,544,178	717,980	220,649	119,460	290,510	4,892,777	2.57	909	3,412,923	3,243	3,416,166	8,308,943	4.37	1,543

Source: General Accounting Division, State Comptroller's Office
*Information for fiscal years prior to fiscal year ended June 30, 2002, is not available.

(1) Population and personal income data can be found in the Schedule of Demographic Statistics.
(2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	(Expressed in Thousands) Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)	Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
2010	5,699	$731,809,178	$6,523,222	0.89%	$1,145
2009	5,634	707,573,095	5,873,643	0.83	1,043
2008	5,618	633,453,169	5,493,830	0.87	978
2007	5,602	527,012,375	5,142,154	0.98	918
2006	5,573	452,249,831	4,868,472	1.08	874
2005	5,537	398,065,083	4,511,826	1.13	815
2004	5,494	361,689,307	4,102,278	1.13	747
2003	5,434	336,657,741	3,932,493	1.17	724
2002	5,383	318,778,365	3,544,178	1.11	658
2001	5,312	307,476,610	3,450,900	1.12	650

Source: The Fifty-seventh through Sixty-sixth Report of the State Department of Assessments and Taxation and the State Comptroller's Office.

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2010

Debt limit (1)	$11,410,017
Debt applicable to limit:	
General obligation bonds	6,523,222
Transportation bonds	1,645,010
Nontraditional Transportation debt (2)	674,740
Less amounts set aside for repayment of:	
General obligation debt	150,191
Transportation debt	34,614
Total net debt applicable to limit	8,658,167
Legal debt margin	$2,751,850

	Year ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	$11,410,017	$9,822,844	$9,780,943	$9,064,691	$8,730,531	$7,819,314	$7,301,732	$6,800,976	$6,116,782	$5,747,158
Total net debt applicable to limit	8,658,167	8,015,376	7,400,792	6,924,327	6,572,782	5,463,019	5,212,769	4,862,003	4,232,412	4,081,297
Legal debt margin	$2,751,850	$1,807,468	$2,380,151	$2,140,364	$2,157,749	$2,356,295	$2,088,963	$1,938,973	$1,884,370	$1,665,861
Total net debt applicable to the limit as a percentage of debt limit	75.88%	81.60%	75.67%	76.39%	75.29%	69.87%	71.39%	71.49%	69.19%	71.01%

Source: General Accounting Division, State Comptroller's Office

(1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed $1,500,000,000 up to June 30, 2004, does not exceed $2,000,000,000 up to June 30, 2007, and does not exceed $2,600,000,000 through June 30, 2009 and thereafter.

(2) The 2009 session of the General Assembly established a maximum outstanding principal amount of $661,800,000 as of June 30, 2010, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

STATE OF MARYLAND
Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as Defined for Purposes of Consolidated Transportation Bonds Coverage Tests (1)
Last Ten Fiscal Years
(Expressed in Thousands)

	Year ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Taxes and fees (2):										
Taxes pledged to bonds	$1,244,280	$1,234,750	$1,139,321	$1,196,568	$1,221,720	$1,220,851	$1,145,048	$1,073,953	$1,046,715	$1,027,808
Other taxes and fees (3) (4) (6)	415,409	418,734	404,082	410,614	391,618	381,516	112,305	88,833	238,303	219,426
Total taxes and fees	1,659,689	1,653,484	1,543,403	1,607,182	1,613,338	1,602,367	1,257,353	1,162,786	1,285,018	1,247,234
Operating revenues	388,587	392,772	395,003	369,241	340,742	328,273	339,635	299,844	297,489	303,206
Investment income	394	3,996	3,683	10,574	8,211	4,928	3,374	2,960	3,724	10,423
Other (5)	(3,600)	(3,666)	4	39,836	87,640	75,902	90,943	79,023	25,950	24,619
Total revenues	2,045,070	2,046,586	1,942,093	2,026,833	2,049,931	2,011,470	1,691,305	1,544,613	1,612,181	1,585,482
Administration, operation and maintenance expenditures	1,582,578	1,526,965	1,488,310	1,396,872	1,302,582	1,237,446	1,177,889	1,159,176	1,044,908	979,318
Less: Federal funds	(90,761)	(93,729)	(79,228)	(72,598)	(70,828)	(79,892)	(76,503)	(76,841)	(50,396)	(29,418)
Total	1,491,817	1,433,236	1,409,082	1,324,274	1,231,754	1,157,554	1,101,386	1,082,335	994,512	949,900
Net revenues	$ 553,253	$ 613,350	$ 533,011	$ 702,559	$ 818,177	$ 853,916	$ 589,919	$ 462,278	$ 617,669	$ 635,582
Maximum annual principal and interest requirements	$ 210,714	$ 197,281	$ 153,661	$ 129,550	$ 121,412	$ 141,172	$ 169,655	$ 153,965	$ 138,183	$ 127,060
Ratio of net revenues to maximum annual principal and interest requirements	2.63	3.11	3.47	5.42	6.74	6.04	3.48	3.00	4.47	5.00
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	5.91	6.26	7.41	9.24	10.06	8.65	6.75	6.98	7.57	8.09

Source: The Secretary's Office of the Department of Transportation.

(1) Under the terms of the bond authorizing resolutions, additional Consolidated Transportation Bonds (Bonds) may be issued, provided, among other conditions, that (i) total receipts, less administration, operation and maintenance expenditures for the preceding fiscal year equal at least two times maximum annual debt service on all Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Bonds outstanding and to be issued.

(2) Bonds are payable from certain taxes, principally, motor vehicle excise taxes, motor fuel taxes, and a portion of the corporate income tax. These amounts are available to the extent necessary for that exclusive purpose. Other receipts of the Department are available if necessary.

(3) In fiscal years 2003 and 2004, $160,000,000 and $154,913,000, respectively, of other taxes and fees were transferred to the General Fund per legislation.

(4) The 2004 Session of the Maryland General Assembly approved legislation increasing Vehicle Registration Fees.

(5) FY 2007 was the last year for the transfer of $43 million from Maryland Transportation Authority to the Transportation Trust Fund.

(6) Legislation was approved to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. In addition, effective July 1, the percentage of Titling Tax retained by the Department was increased from 76% to 86.7%, and the Department now receives 24% of the State's Sales Tax.

STATE OF MARYLAND
Ratio of Pledged Assets to Revenue Bonds, Community Development Administration
Last Ten Fiscal Years
(Expressed in Thousands)

	Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2010	$3,717,989	$3,136,883	1.19
2009	3,517,631	2,983,490	1.18
2008	3,489,271	2,971,219	1.17
2007	3,497,373	3,016,848	1.16
2006	2,476,342	2,040,485	1.21
2005	2,439,264	1,973,583	1.24
2004	2,643,756	2,211,905	1.20
2003	3,003,939	2,537,388	1.18
2002	3,030,657	2,628,254	1.15
2001	3,004,743	2,640,052	1.14

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2010	5,699,478	$278,026,000	$48,781	984,134	7.4%
2009	5,633,597	272,542,169	48,378	975,861	5.9
2008	5,618,899	264,367,477	47,050	1,024,803	3.7
2007	5,602,258	252,780,827	45,121	1,036,523	3.9
2006	5,575,552	237,522,127	42,601	1,050,627	3.8
2005	5,538,989	225,022,781	40,625	1,053,378	4.2
2004	5,495,009	209,373,672	38,103	1,056,520	4.3
2003	5,439,327	202,147,625	37,164	1,056,944	4.7
2002	5,375,659	194,986,252	36,272	1,049,733	4.6
2001	5,310,451	184,173,788	34,681	1,040,020	3.8

Sources:

(1) U.S. Department of Commerce, Bureau of Census, "Annual Population Estimates by State"
Note: Figures are estimates for the calendar year except that the current year amount is a projected estimate for the year.

(2) U.S. Department of Commerce, Bureau of Economic Analysis. All ten years of income data based on April 2004 Comprehensive Revision of State Personal Income Statistics for 1969-2002.
Preliminary estimates are provided for 2003-2009. Data provided is for the prior ending calendar year.

(3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12.
Includes public and nonpublic schools. 2010 data for nonpublic schools is incomplete.

(4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior (3)

	Calendar Year 2009 (1)			Calendar Year 2000 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local	345,056	$ 17,203,289	$ 959	304,420	$10,760,198	$ 680
Federal	131,862	11,439,794	1,668	126,714	6,779,698	1,029
Total government	476,918	28,643,083	1,155	431,134	17,539,896	782
Manufacturing	118,707	7,502,332	1,215	180,101	8,273,066	883
Natural resources and mining	6,428	226,884	679			
Construction	153,122	8,200,750	1,030	156,501	6,005,860	738
Trade, transportation, and utilities	436,545	17,062,305	752	111,441	4,907,423	847
Wholesale				114,255	5,698,544	959
Retail				441,981	8,468,460	368
Information services	46,513	3,197,305	1,322			
Financial activities	141,937	9,740,039	1,320	138,203	6,964,803	969
Professional and business services	384,033	25,160,425	1,260	793,234	28,634,642	694
Education and health services	378,238	17,518,703	891			
Leisure and hospitality	230,220	4,342,320	363			
Unclassified and other services	88,311	2,921,744	636	37,245	1,147,409	592
Total of all sectors	2,460,972	$124,515,890	$ 973	2,404,095	$87,640,103	$ 701

(1) Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publication "Employment and Payroll 2009 Annual Averages" issued July, 2010. This report reflects the new North American Industry Classification System (NAICS) coding revisions.

(2) Source: Maryland Department of Economic and Employment Development, Office of Labor Market Analysis and Information, December 31, 2000.

(3) Some of the data is not comparative due to the reclassifications made during the term of the two periods.

STATE OF MARYLAND
Maryland's Ten Largest Private Employers*

Calendar Years

Employer (Listed Alphabetically)

2010 and 2009	2008	2007
Adventist Healthcare	Giant of Maryland LLC	Giant of Maryland LLC
Giant of Maryland LLC	Helix Health System Inc.	Helix Health System Inc.
Helix Health Systems Inc	Home Depot USA Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation	Macy's
Safeway Inc	Safeway Inc	Northrop Grumman Corporation
Target	University of Maryland Medical System	Safeway Inc
University of Maryland Medical System	United Parcel Service	United Parcel Service
Wal-Mart	Wal-Mart	Wal-Mart

2006 and 2005	2004 and 2003
Giant of Maryland LLC	Giant of Maryland LLC
Helix Health System Inc.	Helix Health System Inc.
Home Depot USA Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation
Safeway Inc	Safeway Inc
Target	United Parcel Service
United Parcel Service	Verizon Maryland Inc.
Wal-Mart	Wal-Mart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information - Major Employer List - March 2010

* Information for prior years is not available. Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

STATE OF MARYLAND
State Employees by Function/Program
Last Seven Fiscal Years*

	Year ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
State Employees:							
Governmental activities:							
General government	5,695	5,813	5,770	5,712	5,656	5,493	5,604
Health and mental hygiene	10,103	10,880	11,441	11,661	11,668	11,633	11,815
Education	2,250	2,450	2,445	2,504	2,425	2,295	2,180
Human resources	6,456	6,503	6,605	6,713	6,767	6,910	6,852
Public safety	15,759	16,311	15,791	15,603	15,307	15,207	15,356
Transportation	6,405	6,638	6,572	6,518	6,523	6,599	6,799
Judicial	5,854	6,109	5,982	5,851	5,744	5,496	5,387
Labor, licensing and regulation	1,879	1,662	1,644	1,682	1,647	1,667	1,691
Natural resources and recreation	2,111	2,104	2,070	2,008	1,970	2,028	2,076
Housing and community development	274	246	209	228	256	262	254
Environment	1,000	960	913	926	922	901	907
Agriculture	482	482	511	481	499	500	516
Business and economic development	163	228	275	295	340	307	303
Total governmental activities employees	58,431	60,386	60,228	60,182	59,724	59,298	59,740
Business-type activities:							
Economic development - insurance programs.	262	237	208	201	210	201	205
Maryland State Lottery	181	189	183	185	183	169	177
Maryland Transportation Authority	1,660	1,652	1,652	1,594	1,502	1,503	1,562
Maryland Correctional Enterprises	200	204	201	184	187	164	159
Total business-type activities employees	2,303	2,282	2,244	2,164	2,082	2,037	2,103
Total primary government employees	60,734	62,668	62,472	62,346	61,806	61,335	61,843
Component units:							
Higher Education	39,411	38,985	37,988	36,132	34,882	39,388	34,397
Prepaid College Trust**	17	16	16	16			
Stadium Authority	25	117	108	120	98	93	97
Other component units	28	24	24	27	42	59	41
Total component unit employees	39,481	39,142	38,136	36,295	35,022	39,540	34,535

Source: Central Payroll Bureau, State Comptroller's Office

* Information for prior years not available.

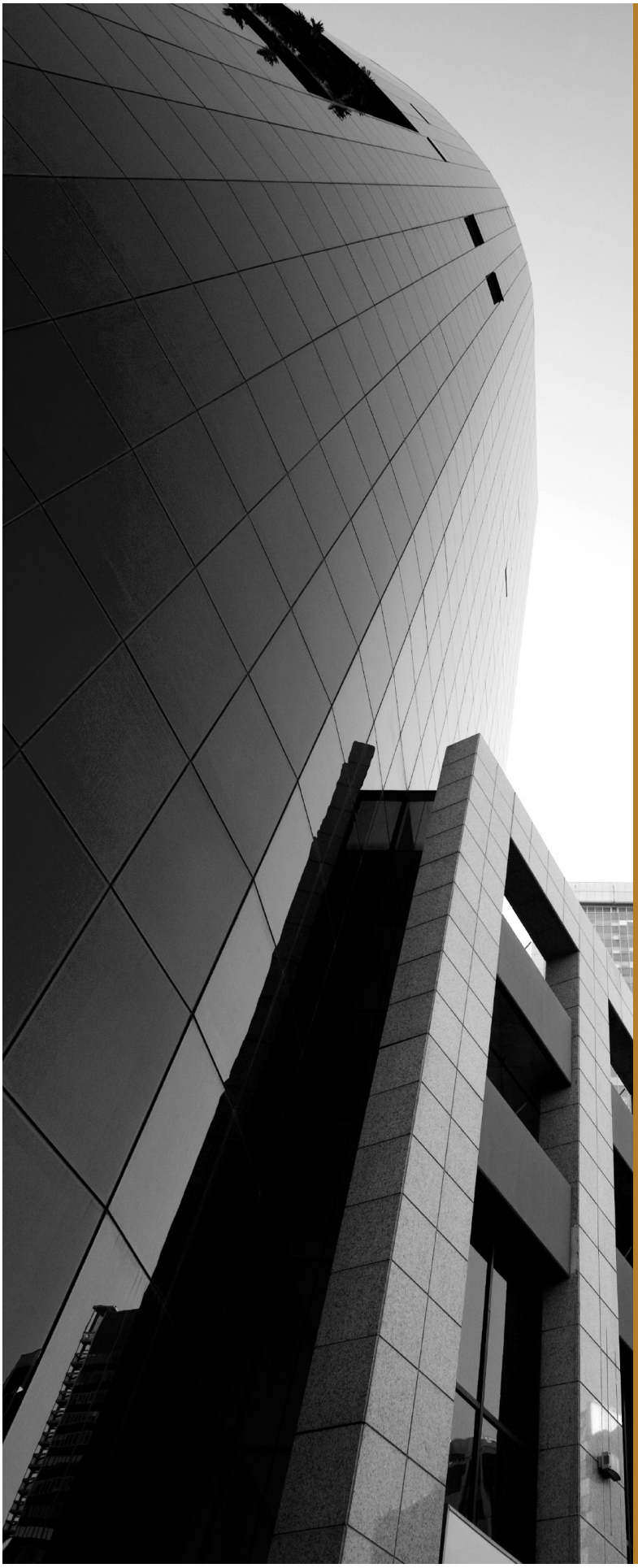
** Information for prior years is included in the total for "Other Component Units".

STATE OF MARYLAND
Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function
Last Seven Fiscal Years*

Date of Ratification	1788
Form of Government	Legislative - Executive - Judicial
Land Area	9,844 square miles

	2010**	2009	2008	2007	2006	2005	2004
Education, Public School Enrollment	814,609	815,742	823,732	827,596	829,007	828,961	821,984
Health and Human Resources:							
Medicaid Enrollment	673,300	569,964	532,082	520,436	629,500	638,085	502,860
Children's Health Program Enrollment	99,298	105,617	108,504	105,999	103,260	95,019	98,420
WIC Food Program Recipients	143,000	144,072	132,483	121,471	113,100	108,574	106,060
Mental Hygiene Clients	110,320	111,678	99,382	93,933	92,715	92,608	90,849
Public Assistance Caseload (AFDC/TANF)	51,600	58,426	51,554	50,149	57,589	65,782	70,745
Foster Care and Subsidized Adoption Average Caseload	15,070	14,235	14,839	13,806	13,956	14,762	15,028
Public Safety							
Correctional Institutions Average Daily Population	22,759	22,778	22,943	21,680	26,475	26,938	27,933
Parole and Probation, Active Cases under Supervision	55,000	54,484	48,600	52,147	49,244	50,112	50,127
Youth Residential Programs, Average Daily Population	1,406	1,519	1,625	1,646	1,728	1,747	2,039
Average Monthly Number of Youths on Probation	6,600	6,760	6,610	6,247	6,568	6,765	6,840
Public Safety (State Police):							
Number of Police Stations	25	26	26	26	26	26	26
Number of State Police	1,565	1,567	1,590	1,591	1,591	1,593	1,596
Motor Vehicle Citations (calendar year)	390,100	390,100	446,505	430,284	462,252	482,219	459,272
Motor Vehicle - Number of Collisions (calendar year)	95,350	95,300	100,700	100,707	101,785	102,546	101,858
Judicial, Total Filings	N/A	2,208,268	2,363,183	2,383,668	2,410,038	2,422,466	2,418,359
Transportation:							
Miles of State Highways	5,244	5,240	5,242	5,241	5,235	5,234	5,235
Lane Miles Maintained	16,895	16,895	16,857	16,787	16,731	16,717	16,680
Expenditures per Lane Mile	$6,925	$8,913	$8,764	$8,990	$7,812	$7,957	$8,039
Number of Bridges***	1,180	1,180	1,176	1,155	1,155	1,155	1,157
Motor Vehicle Registrations	4.8 million	4.6 million	4.8 million	5.0 million	5.1 million	5.0 million	4.9 million
BWI Airport Passengers (calendar year)	20.0 million	19.6 million	20.4 million	20.8 million	19.7 million	19.1 million	20.5 million
Acres Agricultural Land Preserved - all programs	564,906	534,906	482,236	482,236	459,871	430,000	N/A
Department of Housing and Community Development:							
Active Single Family/Multifamily Bond Financed Loans	17,711	16,906	16,648	14,250	12,213	13,769	15,986
Department of Business and Economic Development:							
Number of businesses assisted	69	500	428	1,600	1,600	1,146	1,094
Number of workers trained	547	1,007	2,710	7,417	12,425	9,694	9,101
Higher Education (Universities, Colleges and Community Colleges):							
Number of Campuses in State	29	29	29	29	29	29	29
Number of Educators	9,421	9,190	9,224	9,021	8,711	8,606	8,432
Number of Students	280,196	269,287	263,636	255,969	256,580	251,984	246,794
Number of State Scholarships Awarded	59,532	58,935	58,552	56,495	52,576	47,025	44,851
Recreation:							
Number of State Parks and Forests	65	64	61	58	60	60	61
State Parks Daily Visitors	11.5 million	11.4 million	11.3 million	11.3 million	11.1 million	11.5 million	9.9 million
Area of State Parks, Acres	94,729	94,520	93,972	93,683	93,661	93,661	97,362
Area of State Forests, Acres	141,789	141,434	140,433	138,587	136,093	136,093	135,951

*Information for prior years not available.
** These amounts are estimates.
***On Maryland's portion of the National Highway System
Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, Maryland Manual @ www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.



FINANCIAL SCHEDULES
REQUIRED BY LAW

These schedules are required to be submitted by the Comptroller by Title 2, section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland.

STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2010
(Expressed in Thousands)

	Annual Budgeted Funds											
							Higher Education Funds					
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund		Capital Projects Fund	Total
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Actual Revenues	Actual Revenues
Taxes:												
Property tax		$ 2,416	$ 793,023	$ 807,144							$ 87,783	$ 897,343
Franchise and corporation tax	$ 139,729	124,081										124,081
Death taxes	161,822	173,473										173,473
Admission and amusement tax	8,000	12,599	1,205	2,530								15,129
Alcoholic beverages tax	29,512	29,874										29,874
Motor vehicle fuel taxes	8,386	8,386	730,892	714,210								722,596
Income taxes	6,600,565	6,888,949	187,978	202,736								7,091,685
Sales and use taxes	3,473,936	3,528,960	217,117	224,817								3,753,777
Tobacco taxes	396,592	405,915										405,915
Motor vehicle titling taxes			514,000	543,411								543,411
Insurance company taxes	266,946	277,007	240,618	114,562								391,569
Horse racing taxes			1,635	1,541								1,541
Shellfish taxes				205								205
Boxing, wrestling or sparring taxes		967		9								976
Boat titling tax			9,331	15,202								15,202
Energy generation tax			46,648	48,421								48,421
Emergency telephone system tax			71,867	59,324								59,324
Total taxes	11,085,488	11,452,627	2,814,314	2,734,112							87,783	14,274,522
Other:												
Licenses and permits	43,787	36,136	536,527	548,067								584,203
Fees for services	143,507	125,032	845,639	760,409								885,441
Fines and costs	159,158	168,827	234,956	219,474								388,301
Sales to the public	27,592	10,254	88,915	68,390								78,644
Commissions and royalties	1	44	82,027	59,882								59,926
Rentals	5	2,321	104,057	95,026								97,347
Interest on investments	35,000	64,759	25,690	32,013							259	97,031
Interest on loan repayments			5,000	1,822		$ 1,037						2,859
Miscellaneous	78,799	84,499	51,153	74,653								159,152
Colleges and universities							$2,347,299	$2,443,724	$1,188,029	$1,154,752		3,598,476
Federal reimbursements and grants					$10,338,384	9,095,525						9,095,525
Other reimbursements	120,150	136,637	403,782	485,642								622,279
Bond issues:												
State - general purpose											1,138,550	1,138,550
Consolidated transportation bonds			165,000	139,582								139,582
Premiums				63,632								63,632
State reimbursements	513,309	609,894	303,167	223,970							6,246	840,110
Appropriated from other funds							1,149,506	1,149,506				1,149,506
Trust funds			19,158	15,578								15,578
Revolving accounts	6,000	8,453	56,333	20,985								29,438
Total revenues	$12,212,796	$12,699,483	$5,735,718	$5,543,237	$10,338,384	$9,096,562	$3,496,805	$3,593,230	$1,188,029	$1,154,752	$1,232,838	$33,320,102

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2010
(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds											
							Higher Education Funds					
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund		Capital Projects Fund	Total
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Actual	Actual
Payments of revenue to civil divisions of the State	$ 124,011	$ 124,011										$ 124,011
Public debt			$ 784,987	$ 776,666	$ 857	$ 857						777,523
Legislative	76,403	71,590	100	90								71,680
Judicial review and legal	479,558	469,861	93,969	78,415	7,101	6,108						554,384
Executive and administrative control	200,473	197,325	273,253	236,793	232,420	202,428						636,546
Financial and revenue administration	197,695	196,070	103,653	99,224								295,294
Budget and management	38,328	37,062	30,153	18,493								55,555
Retirement and pension			31,359	28,672								28,672
General services	51,284	51,209	2,543	2,534	1,002	1,002						54,745
Transportation and highways			2,487,425	2,357,603	1,010,289	804,906						3,162,509
Natural resources and recreation	45,351	45,250	134,791	118,957	56,411	34,391						198,598
Agriculture	25,236	25,236	50,326	38,817	7,794	4,498						68,551
Health, hospitals and mental hygiene	2,985,071	2,962,979	880,908	858,250	4,697,452	4,675,290						8,496,519
Human resources	607,269	607,266	135,500	133,312	1,655,136	1,555,267						2,295,845
Labor, licensing and regulation	33,235	33,235	33,895	29,439	189,544	167,612						230,286
Public safety and correctional services	1,008,610	1,007,312	170,504	145,395	86,187	75,242						1,227,949
Public education	6,977,056	6,973,769	117,183	112,063	1,722,790	1,667,229	$3,496,805	$3,425,712	$1,188,029	$1,150,082		13,328,855
Housing and community development	4,231	4,231	64,951	50,339	428,084	416,680						471,250
Business and economic development	62,702	62,701	49,953	36,673	1,915	1,822						101,196
Environment	35,500	35,500	215,399	200,656	186,570	176,116						412,272
Juvenile services	260,637	260,636	899	439	16,287	10,949						272,024
State police	164,082	162,112	73,967	65,177	38,545	24,593						251,882
State reserve fund	114,948	114,948										114,948
Loan accounts											$1,002,558	1,002,558
Reversions:												
Current year reversions	(63,680)											
Prior year reversions		(13,672)		(54,885)		(47,862)		(189)		(95)		(116,703)
Total expenditures and encumbrances	$13,428,000	$13,428,631	$5,735,718	$5,333,122	$10,338,384	$9,777,128	$3,496,805	$3,425,523	$1,188,029	$1,149,987	$1,002,558	$34,116,949

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General and Special" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2010

(Expressed in Thousands)

	General Fund		Special Fund			Higher Education Funds			
	General	State Reserve	Special	Debt Service	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Capital Projects Fund	Total
Fund equities, June 30, 2009	$ 223,825	$ 701,812	$1,627,065	$ 74,976	$	$ 684,345	$ 3,111	$ 123,926	$3,439,060
Increase :									
Revenues	12,569,681	129,802	4,707,193	836,044	9,096,562	3,593,230	1,154,752	1,232,838	33,320,102
Decrease :									
Appropriations	13,491,680		4,950,731	784,987	10,338,384	3,496,805	1,188,029		
Less: Current year revaersions	(49,377)		(339,390)	(8,321)	(513,394)	(71,093)	(37,947)		
Prior year reversions	(13,672)		(54,885)		(47,862)	(189)	(95)		
Expenditures and encumbrances	13,428,631		4,556,456	776,666	9,777,128	3,425,523	1,149,987	1,002,558	34,116,949
Changes to encumbrances during fiscal year 2010	39,241		2,527		(518,938)	279	130		(476,761)
Expenditures	13,467,872		4,558,983	776,666	9,258,190	3,425,802	1,150,117	1,002,558	33,640,188
Transfers in (out)	1,115,785	(216,908)	(135,621)	500	161,628	(158,208)	(125)	(186,422)	580,629
Fund equities, June 30, 2010	$ 441,419	$ 614,706	$1,639,654	$134,854	$ -	$ 693,565	$ 7,621	$ 167,784	$3,699,603
Fund Balance:									
Reserved:									
Encumbrances	$ 97,411		$ 531,829		$ 770,401	$ 1,096	$ 40	$ 482,642	$1,883,419
State reserve fund		$ 614,706							614,706
Loans and notes receivable			2,644	$ 3,256					5,900
Shore erosion loan program			6,369						6,369
Gain/loss on investments			634						634
Unreserved:									
Designated for:									
General long-term debt service				131,598					131,598
2011 operations									
Undesignated surplus (deficit)	344,008		1,098,178		(770,401)	692,469	7,581	(314,858)	1,056,977
Total	$ 441,419	$ 614,706	$1,639,654	$134,854	$ -	$ 693,565	$ 7,621	$ 167,784	$3,699,603

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2010 (1)
(Expressed in Thousands)

	State Sources				Other Sources				
Subdivision (2)	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total	Assessed Value of Real and Personal Property (2)	Amount Per $100 of Assessed Value
Allegany	$ 405	$ 131,529	$ 4,502	$ 136,436	$ 16,145	$ 25,773	$ 178,354	$ 3,961,123	$4.50
Anne Arundel	2,584	436,592	37,725	476,901	43,718	365,206	885,825	84,047,182	1.05
Baltimore County	3,574	778,855	30,000	812,429	69,998	510,042	1,392,469	89,481,902	1.56
Calvert	539	114,435	4,922	119,896	8,308	61,854	190,058	14,115,869	1.35
Caroline	347	57,812	10,544	68,703	8,573	11,016	88,292	3,151,605	2.80
Carroll	965	197,022	27,481	225,468	13,660	108,731	347,859	20,932,256	1.66
Cecil	556	139,095	11,449	151,100	13,065	47,328	211,493	11,106,250	1.90
Charles	794	206,898	19,821	227,513	17,770	87,200	332,483	18,773,474	1.77
Dorchester	380	47,973	7,672	56,025	8,382	10,854	75,261	3,557,281	2.12
Frederick	1,151	279,345	23,874	304,370	22,782	147,672	474,824	29,864,450	1.59
Garrett	459	44,434	679	45,572	7,967	12,787	66,326	4,934,925	1.34
Harford	1,202	295,632	27,970	324,804	23,111	166,175	514,090	28,650,685	1.79
Howard	1,341	294,354	27,309	323,004	19,894	296,934	639,832	46,013,384	1.39
Kent	197	23,074	1,032	24,303	5,347	10,567	40,217	3,114,135	1.29
Montgomery	3,132	787,256	38,080	828,468	93,170	1,050,273	1,971,911	179,910,421	1.10
Prince George's	1,474	1,191,952	15,956	1,209,382	134,803	440,475	1,784,660	99,550,001	1.79
Queen Anne's	456	52,015	3,508	55,979	6,098	34,096	96,173	8,859,984	1.09
St. Mary's	646	125,733	3,099	129,478	15,109	70,421	215,008	13,048,591	1.65
Somerset	247	42,427	6,194	48,868	8,556	6,930	64,354	1,785,431	3.60
Talbot	284	23,297	717	24,298	5,162	23,002	52,462	10,159,810	0.52
Washington	756	199,091	10,466	210,313	23,370	62,356	296,039	14,126,473	2.10
Wicomico	612	154,769	13,825	169,206	17,308	40,948	227,462	7,624,845	2.98
Worcester	437	46,208	4,969	51,614	9,912	16,956	78,482	17,593,051	0.45
Baltimore City	129,616	1,425,215	22,265	1,577,096	226,080	254,732	2,057,908	38,788,386	5.31
Total	$152,154	$7,095,013	$354,059	$7,601,226	$818,288	$3,862,328	$12,281,842	$753,151,514	

(1) In addition to the amounts shown for counties and Baltimore City, $120,521,000 was distributed to municipalities within the counties.
(2) Source: Sixty-sixth Report of the Department of Assessments and Taxation, dated January 2010. Assessed value of property is 100%

STATE OF MARYLAND

Schedule of Taxes Receivable from Collectors of State Property Taxes

June 30, 2010

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	$ 365	$ 120	$ 485
Anne Arundel	1,070	90	1,160
Baltimore County	490	66	556
Calvert	425	(45)	380
Caroline	62	2	64
Carroll	189	11	200
Cecil	148	481	629
Charles	34	28	62
Dorchester	301	52	353
Frederick	83	179	262
Garrett	444	5	449
Harford	178	18	196
Howard	24	959	983
Kent	262	15	277
Montgomery	479	(406)	73
Prince George's	314	144	458
Queen Anne's	13	2	15
St. Mary's	367	15	382
Somerset	356	41	397
Talbot	3	(5)	(2)
Washington	41	(312)	(271)
Wicomico	132	65	197
Worcester	675	21	696
Baltimore City	2,566	15,762	18,328
Total	$9,021	$17,308	$26,329

STATE OF MARYLAND

Schedule of Estimated Revenues - Budgetary Basis

For the Year Ending June 30, 2011

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income taxes	$ 6,805,633	$ 141,942				$ 6,947,575
Retail sales and use tax and licenses	3,667,203	239,757				3,906,960
Motor vehicle fuel taxes and licenses	368,389	751,400				1,119,789
Motor vehicle tax and licenses		926,100				926,100
Property taxes		824,357 (1)				824,357
Insurance company taxes, licenses and fees	273,821					273,821
Franchise and corporation taxes	224,998					224,998
State tobacco tax and licenses	387,940					387,940
Alcoholic beverages taxes and licenses	31,036					31,036
Death taxes	157,076					157,076
Miscellaneous taxes, fees and other revenues	172,413	46,401 (1)	$ 7,640 (1)			226,454
Budgeted tobacco settlement recoveries		168,635				168,635
Horse racing taxes and licenses		4,042				4,042
District courts fines and costs	92,558					92,558
Interest on investments	54,000					54,000
Hospital patient recoveries	67,427					67,427
Legislative	165	100				265
Judicial review and legal	71,147	75,766	6,505			153,418
Executive and administrative control	4,536	270,843	158,368			433,747
Financial and revenue administration	13,177	32,251				45,428
Budget and management	22,620	11,151				33,771
State lottery agency	527,640	212,047				739,687
Information technology development		9,685				9,685
Retirement and pension		32,267				32,267
General services		3,722	1,033			4,755
Transportation and highways		367,422	916,229			1,283,651
Natural resources and recreation	14	77,709	48,925			126,648
Agriculture	70	29,796	6,442			36,308
Health, hospitals and mental hygiene	30,370	567,446	4,793,504			5,391,320
Human resources	1,375	117,363	1,443,669			1,562,407
Labor, licensing and regulation	9,896	48,585	146,362			204,843
Public safety and correctional services	9,761	156,958	73,562			240,281
Public education	35,322	47,663	1,392,526	$3,504,029	$1,189,508	6,169,048
Housing and community development	1,000	56,027	247,279			304,306
Business and economic development		43,179	1,907			45,086
Environment	768	174,035	54,990			229,793
Juvenile justice		203	15,912			16,115
State police	3,200	80,888	22,973			107,061
Extraordinary Revenues - Tax Amnesty	5,400					5,400
Total estimated revenues (2)	$13,038,955	$5,517,740	$9,337,826	$3,504,029	$1,189,508	$32,588,058

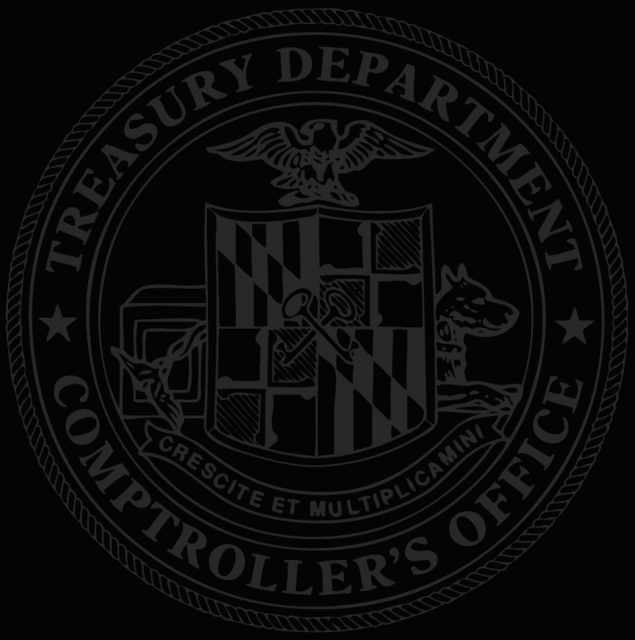
(1) Includes $835,184,000 recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2010, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2011
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State	$ 121,436					$ 121,436
Public debt		$ 834,344 (1)	$ 7,640			841,984
Legislative	75,609	100				75,709
Judicial review and legal	472,938	76,751	6,505			556,194
Executive and administrative control	200,688	273,843	158,368			632,899
Financial and revenue administration	205,798	130,256				336,054
Budget and management	42,810	20,835				63,645
Retirement and pension		32,268				32,268
General services	52,253	3,722	1,033			57,008
Transportation and highways		2,406,621	916,229			3,322,850
Natural resources and recreation	43,569	127,139	48,925			219,633
Agriculture	27,578	40,295	6,442			74,315
Health, hospitals and mental hygiene	3,150,146	725,567	4,793,504			8,669,217
Human resources	557,811	117,363	1,443,669			2,118,843
Labor, licensing and regulation	31,363	51,152	146,361			228,876
Public safety and correctional services	1,003,660	156,958	73,562			1,234,180
Public education	6,637,541	166,195	1,392,526	$3,504,029	$1,189,508	12,889,799
Housing and community development	3,940	56,027	247,280			307,247
Business and economic development	70,433	43,179	1,907			115,519
Environment	32,731	174,035	54,990			261,756
Juvenile justice	254,125	203	15,912			270,240
State police	173,261	80,887	22,973			277,121
State reserve fund	15,000					15,000
Total appropriations (2)	$13,172,690	$5,517,740	$9,337,826	$3,504,029	$1,189,508	$32,721,793

(1) Recorded in the Debt Service Fund for accounting purposes.
(2) Amounts are reported as of July 1, 2010, and do not reflect revisions, if any, subsequent to that date.



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